National Restaurant Association

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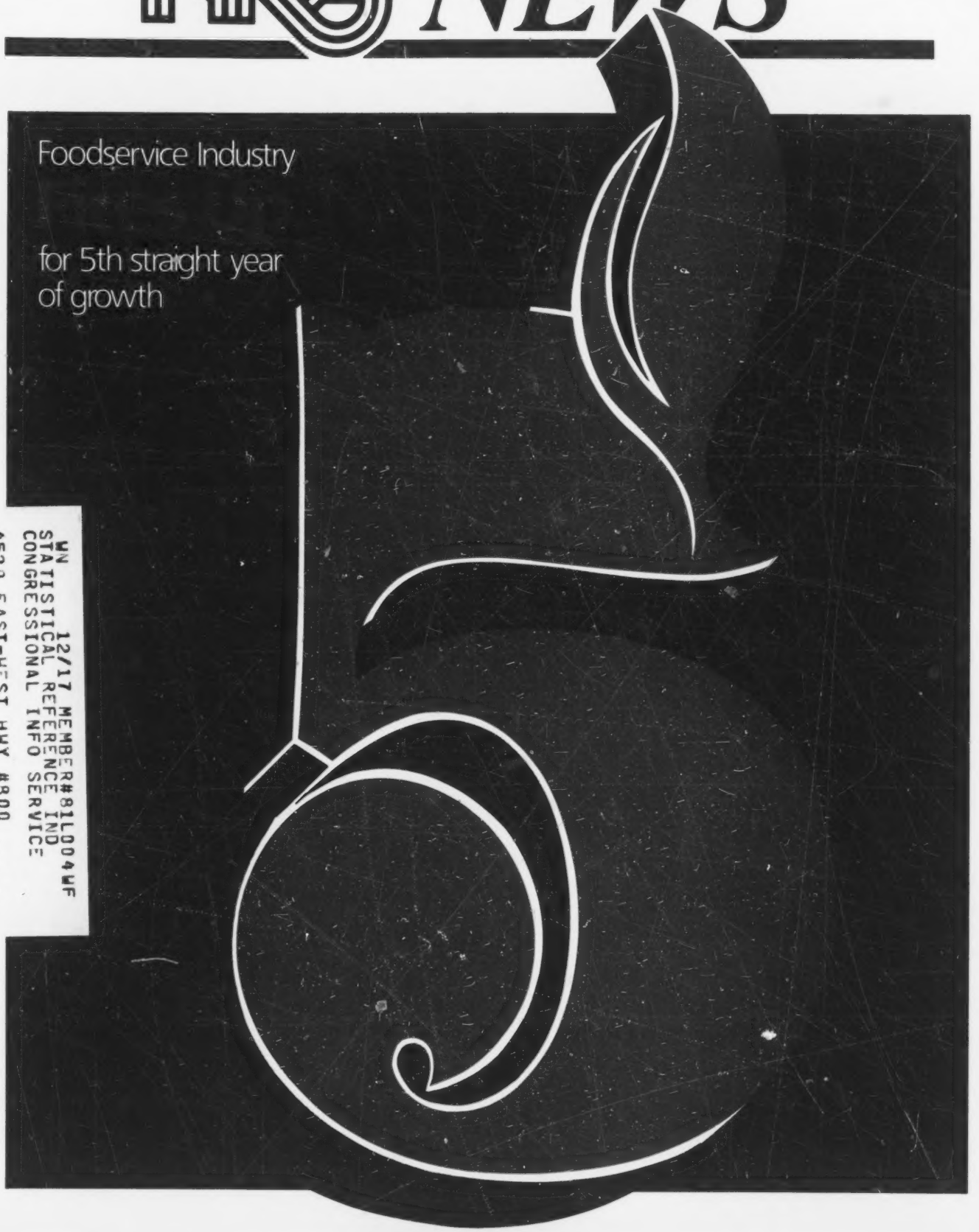
NRA NEWS



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1/22	Tucson, AZ
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3/5	Kansas City, MO

Dining Room Management

1/16	Frederick, MD
1/24	Pittsburgh, PA
2/13	Salt Lake City, UT
2/19	Los Angeles, CA
3/13	Cherry Hill, NJ

Increasing Foodservice Productivity

2/18	Los Angeles, CA

Kitchen Management

1/22	San Diego, CA
1/24	Reno, NV
2/13	Springfield, VA
3/5	Allentown, PA
3/7	Providence, RI

Opening a Restaurant: Before You Start Cooking . . .

2/26	Rochester, NY
3/12	Indianapolis, IN

Tools for Training

2/11	Dallas, TX
2/26	Springfield, MA
2/28	Baltimore, MD
3/19	Knoxville, TN
3/21	Louisville, KY

Food Production Courses

American Regional Cookery

2/5	Atlanta, GA

The Pantry: Prep for Profit

2/18	Los Angeles, CA
2/20	Seattle, WA

Perfecting Your Culinary Skills

2/19	Los Angeles, CA
2/21	Chicago, IL

Simplified Baking Workshop

2/12	Dallas, TX

Soups and Sauces

1/15	Los Angeles, CA
2/11	Dallas, TX
2/13	Oklahoma City, OK
3/12	Meadowlands, NJ
3/14	Detroit, MI

Foodservice Management Courses

Creative Merchandising Techniques

2/27	Las Vegas, NV
3/6	New Orleans, LA
3/13	Concord, NH

Food Cost Management

2/19	Columbus, OH
2/21	Long Island, NY

Hospitality Workshops

1/29–30	**Full Service** Boston, MA
2/6–7	**Full Service** Nashville, TN

Location! Location! Location! How to Successfully Negotiate and Finance Your New Operation

1/14–15	Los Angeles, CA
3/6–7	Dallas, TX

Menu Development

1/24	Denver, CO
3/10	Washington, DC

Off-Premise Catering

1/21–22	Indianapolis, IN
2/11–12	Dallas, TX
3/25–26	Philadelphia, PA

Operational Analysis

2/26–27	Las Vegas, NV

Planning & Implementing Restaurant Marketing Strategy

1/22–23	Cincinnati, OH
3/19–20	Boston, MA

Restaurant Design & Facilities Planning

2/18–19	Los Angeles, CA
3/4–5	Tampa, FL

Conferences

1/27–30	**National Management Conference for Independent Operators** New Orleans, LA
3/24–27	**National Conference on Computers in Foodservice** Las Vegas, NV

Please note that registration fees have been reduced for the **Basic Foodservice Courses.**
For more information, contact:

NRA Education Programs
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Washington, DC 20001
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*Replaces Controlling Labor Cost

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Safety Officers
January 15–17 Dallas

Large Volume Independent Operators
January 26–30 New Orleans

Labor Relations
February 5–6 Orlando

Market Research
April 10–12 Washington, DC

Financial Officers
April 10–12 Palm Springs

Tax Executives
April 10–12 Palm Springs

EDP
April San Diego

Internal Audit
April 30–May 3 Lake Tahoe

Foodservice Purchasing Managers
May 15–17 Chicago

MAECO
May 15–17 Chicago

Marketing Executives
May 15–17 Chicago

NRA NEWS
Vol. 4 No. 11 December 1984

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PRESIDENT'S REPORT

Harris O. Machus
President and Owner
Harris O. Machus Enterprises, Inc.
Birmingham, Michigan

NRA forecasts continued growth

I wish you a happy and prosperous holiday season. It's always nice to be the bearer of good tidings as we approach the new year, and NRA's Annual Economic Forecast for the Foodservice Industry projects excellent growth for 1985.

Total industry sales will reach $178 billion, a $13 billion dollar increase over 1984. That's a 3.2 percent increase in sales measured in dollars adjusted for inflation.

NRA is predicting that 1985 will be the fifth consecutive year of growth for foodservice and the third consecutive year of strong growth.

A healthy national economy is in part responsible for this steady advance, but the rest of the credit goes to the creative businessmen and women in our industry who have responded to evolving consumer demand with exciting innovation.

I encourage you to read with care the "Forecast" in this issue of ***NRA NEWS.*** It will give you a clear overview of customer trends and industry response.

There is, however, always the danger that ill-considered legislation could limit our industry's growth. In November the U.S. Treasury Department released proposals on income tax simplification and reform. This so-called "modified flat tax" plan would eliminate a number of deductions and credits but would also lower individual and corporate tax rates.

NRA protests tax proposals

The Treasury Department plan would have a strong negative effect on some foodservice operations. One proposal calls for capping business entertainment meal deductions at levels of $10 per person for breakfast, $15 for lunch and $25 for dinner, inclusive of sales tax and tip. A related proposal would cap deductions for business travel expenses at twice the *per diem* allowance for government employees.

Without any doubt, these limitations on the deductibility of business meals would reduce foodservice sales in many of the nation's fine restaurants. Inevitably, employees would have to be let go, and some restaurants could face bankruptcy. Ironically, the ripple effect in the economy would result in reduced revenues at the federal, state and local levels. In other words, everyone would suffer from such a change in the tax law.

Other proposals in the Treasury Department plan—elimination of the targeted jobs tax credit, investment tax credit and accelerated depreciation—would also adversely affect foodservice companies. Corporate income tax rates would be reduced from 46 percent to 33 percent, however.

Provisions in this plan will be debated and possibly changed during the next few weeks. Senator Robert Packwood (R-OR), the new chairman of the Senate Finance Committee, has indicated that he will hold hearings on the tax proposal in February. NRA has already voiced our industry's opposition to these changes. We will continue to monitor the situation and to act when appropriate. Rest assured that this matter is top priority in our Washington office.

NRA fights labeling recommendation

NRA is continuing to oppose the imposition of sulfite labeling on the foodservice industry. A panel of scientists has prepared a preliminary report for the Food and Drug Administration (FDA) on what should be done to protect those asthma sufferers who become ill after ingesting sulfites. This preliminary report recommends warning signs and the labeling of menus in restaurants as a solution.

At a hearing held in late November, NRA attempted to get that recommendation stricken from the report. NRA spokesmen told the panel of scientists that, given the nature of foodservice supply lines, consistent and accurate menu labeling in restaurants is impossible.

They also pointed out that menu labels and wall signs would not offer sulfite sensitive asthmatics sufficient protection. Such labels would frighten patrons who have no need for concern, supply insufficient information to those people who should be concerned and offer no protection to those asthmatics who are as yet unaware of their sulfite sensitivity.

NRA's testimony concluded that, if FDA determines that sulfiting agents are a health hazard to a significant number of people, it should impose a partial ban on use of the substance rather than require menu labels. Specifically, FDA should ban the application of sulfites—by both suppliers and restaurateurs—to those foods most frequently linked to serious reaction among sulfite-sensitive asthmatics.

The panel of scientists will review these comments and the testimony of other interested parties in the weeks ahead. They will submit a final version of their report to FDA in January 1985.

During the past month, 129 members joined NRA. I welcome you to the most prestigious foodservice trade association in the world. Your participation in NRA will make your business grow and make the association more effective in its endeavors on your behalf. We're glad to have you with us.

Sincerely,

Harris

Harris O. Machus
President & Chairman of the Board

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13 NRA is forecasting that 1985 will be the fifth consecutive year of growth for the industry. For an indepth preview of what the next year has in store, turn to NRA's annual industry forecast. This special section of "Foodservice Trends" includes sales predictions for all segments of the industry as well as a region-by-region and state-by-state forecast.

Specials

Customer Behavior **9** Here's a look at grazing, a growing pattern of dining out behavior, and the way different operators are responding to it.

1984 in Review **12** 1984 may be remembered as the year of adaptation—old favorites shedding their traditional look to appeal to consumers who are more sophisticated, experimental and nutrition conscious.

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Food for Thought **47** Say it with cookies. Bagels and cream cheese tie the knot.

SHORT ORDERS

Can defect chart available

The Association of Official Analytical Chemists, in cooperation with the Food and Drug Administration, has developed *Classification of Visible Can Defects*. This can defect chart can help avoid dangerous and costly food product problems. The chart is sold in groups of 10 ($43) from the Association of Official Analytical Chemists, 111 North 19th St., Suite 210, Arlington, VA 22209. The telephone number is (703) 522-3032.

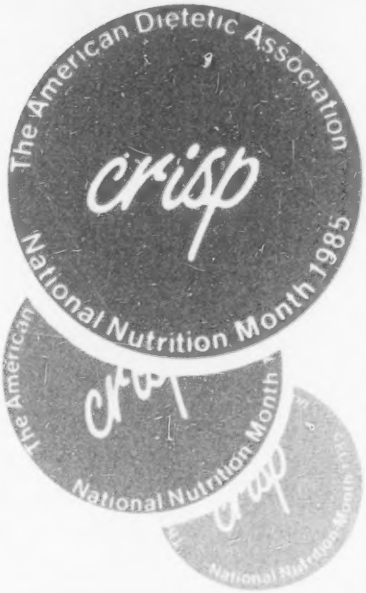
Fish cookery added to CIA curriculum

A course in fish cookery was recently added to the curriculum at The Culinary Institute of America (CIA) because, as Educational Department Head Richard Czack said, "The delicacy of fresh fish and seafoods warrants special attention."

Planning for the seven-day course and for the redesigned kitchen in which it is taught began nearly three years ago.

According to CIA President Ferdinand Metz, "The course has a triple responsibility. In addition to teaching all basic methods of cooking and serving fresh and salt-water fish, shellfish and crustaceans, the class establishes specifications and receives all seafoods used at the school."

The methods of storage, butchering and cooking taught in the class could save 40 to 60 percent of the waste usually associated with fish. "We are trying to give cooks an awareness that they cannot just use the center cut; they should also use the tail, belly and necks for different purposes. We teach our students to save the best part of the product for a dish that will bring maximum money and to use the trimmings to make seafood sausages, mousse, forcemeats, terrines and quenelles," says CIA Fish Cookery Instructor Roland Henin.



March: National Nutrition Month

March is National Nutrition Month, an annual event sponsored by the American Dietetic Association (ADA) to spread the word about nutrition and fitness.

The theme this year is "Food: It even sounds nutritious." ADA has developed posters, bulletin board banners, table tents, bookmarks, balloons, buttons and placemats/traymats to help restaurateurs and others participate in the nutrition campaign. For further information about National Nutrition Month, contact ADA at 430 N. Michigan Ave., Chicago, IL 60611; (312)280-5000.

NRA member implements Hospitality Project

Hillside Restaurant and Molly O's, Williamsport, PA-based restaurants, have obtained certification from NRA for successfully completing their new Hospitality Projects and implementing the hospitality program in all aspects of their foodservice operations. NRA's Hospitality Project provides restaurant operators and their staffs with measurable standards for quality service.

David M. Miele assumed the position of project coordinator, overseeing the training of management and staff as well as project implementation in both restaurants. In less than six months, the operations successfully completed all staff, management, project coordinator and restaurant certification steps as well as the Hospitality Project Self-Auditing Checklist.

The Hillside Restaurant, in operation since 1979, is a fine dining establishment while Molly O's is an Irish pub that has just recently opened.

Monroe Community College wins NRA/AVA award

Monroe Community College of Rochester, NY, has been awarded the 1984–85 NRA/AVA (American Vocational Association) National Award of Excellence. Monroe was chosen from five regional semifinalists as the program that best exemplified excellence in post-secondary foodservice education.

First runner-up is the Milwaukee Area Technical College in Milwaukee, WI. Other regional finalists are Greenville Technical College in Greenville, SC; Del Mar College in Corpus Christi, TX; and Pima Community College in Tuscon, AZ. An honorable mention was also awarded to Grand Rapids Junior College in Grand Rapids, MI.

These winners will be recognized by each of the cosponsors at its annual show/convention, and the winner will receive an all-expense-paid trip to both events.

WASHINGTON REPORT

1984 legislation in review

1984 was a year of legislative ups and downs, but there were substantial victories for the industry in this election year.

NRA's efforts to remove the burdensome and duplicative inspection of restaurant central kitchens met success late in the session when Congress approved a bill exempting the kitchens from USDA review.

The President signed the legislation on October 17, 1984, immediately removing inspection requirements for central kitchens under the U.S. Meat and Poultry Inspection Acts. (See November ***NRA NEWS*** for details.)

Four changes in tips reporting law . . .

NRA-backed changes to the 1982 tip reporting law were also adopted by Congress this year when it passed a $50 billion tax bill. NRA worked with the Senate Finance Committee staff to institute four changes that will clarify and simplify the tip reporting law:

- Under the new law, an establishment's tip reporting threshold (8 percent of sales) may be reduced to as low as 2 percent upon written application to IRS (previously, an establishment could "prove down" to just 5 percent).
- Tipped employees may now, upon majority vote, apply for a reduced percentage (previously, only the employer could apply for a reduced percentage). NRA supported this change with the stipulation that employees should not be given access to confidential employer information.
- The new law eliminates the requirement that a 50 percent owner be counted as an employee for purposes of coverage.
- The new law also requires IRS to issue regulations clarifying an employee's recordkeeping responsibilities for tip income.

Immigration bill dies . . .

Ever mindful of the November elections, Congress put aside until next year much legislation unpopular with the voters. That worked to the foodservice industry's advantage when Congress let die an NRA-opposed immigration bill in the waning days of the session.

Targeted Jobs Tax Credit extended . . .

In other congressional action, the Targeted Jobs Tax Credit (TJTC) was extended until December 31, 1985, as part of the 1984 tax bill. The credit, used by restaurateurs to hire disadvantaged youth, veterans and the handicapped, would have expired on December 31, 1984.

Although NRA advocated a multi-year extension, employers can take solace in that TJTC was one of the few tax credits left untouched in Congress' search for new revenue.

Tip income to be considered wages for unemployment taxes . . .

The tax bill also included several NRA-opposed provisions that will eventually mean higher costs for restaurateurs. A House-added provision will require for the first time that all reported tip income be considered taxable wages for federal unemployment (FUTA) taxes.

NRA pressed for the elimination of the FUTA increase when the tax bill went to conference, but conferees were willing only to grant a one-year delay in the new tax.

This provision becomes effective January 1, 1986, unless a state legislature has not met for 25 consecutive days. Under that circumstance, the provision is effective on January 1, 1987.

The House and Senate also negotiated an increase in the federal exise tax (FET) on distilled spirits. A Senate-proposed $2 per proof-gallon increase was adopted over the $3.75 per proof-gallon increase proposed by the House.

The FET increase is effective on October 1, 1985. This provision also includes a one-time inventory tax of $2 per proof-gallon on all stock of more than 400 proof-gallons held by any retail seller on October 1, 1985.

National purchasing age of 21 for alcoholic beverages . . .

Finally, in response to public pressure to crack down on drunk drivers, the 98th Congress passed legislation that, in effect, creates a national purchasing age of 21 for alcoholic beverages.

Under the new law, states that have not adopted a 21-year-old purchasing age by October 1, 1986, will forfeit five percent of their allotted federal highway funding. Those states that have not adopted a 21-year-old age by the following year (October 1, 1987) will lose an additional 10 percent of their highway funding. However, lost funding may be recovered if a state approves the 21-year-old purchasing age after these deadlines.

The final law also provides for grants to states that adopt mandatory sentencing for drunk driving convictions.

—Jay Morris and Michelle Rabayda

WE'RE COUNTING ON *YOUR OPINION*

NRA's monthly membership poll tracks your views on important national issues affecting the foodservice industry.

Your reponses to these questions will help NRA represent the industry in Washington.

Question 1. Tax fringe benefits?

The tax-free status of employer-provided fringe benefits will come under fire next year from two fronts—Congress and the Treasury Department.

Attempts to restrict fringe benefits began in the last Congress. The 1984 Tax Act places new limits on fringes for the first time, including a requirement that certain benefits be provided on a nondiscriminatory basis. Now the Treasury, in an effort to treat all taxpayers equally, has proposed capping or eliminating the tax-free status of many other fringe benefits. Treasury would make health care benefits, for example, subject to tax if the premiums exceeded $70 a month for an individual and $175 a month for a family. Treasury's plan also would repeal the current income-tax exclusions for employer-provided group term life insurance, death benefits, legal services, child care, educational assistance and "cafeteria" plans.

The phenomenal growth of tax-free fringes and the resultant drain on the Treasury have spurred the current debate on this issue. In 1982, employer-provided benefits reached a record $540 billion, and they now amount to roughly one-third of all payroll dollars. At the same time, tax-free benefits cost the Treasury about $70 billion in lost revenue last year.

Pros: Proponents of limiting the tax-free status of fringes argue that employees are not paying taxes on all of their income. Taxing fringes would put all employees on equal footing with IRS, ending the preferential tax treatment enjoyed by highly-compensated individuals. The taxing of fringes would also lead to the elimination of certain fringes provided on a discriminatory basis. And removing the tax-free status of fringes would provide more revenue .

Cons: The benefits to society resulting from employer-provided benefits far outweigh their immediate cost to the Treasury. Taxing such essential benefits as health and life insurance would cause employees to forego adequate coverage and that, in turn, would cause increased reliance on government social programs. It would cost considerably more for the government to provide health care and retirement benefits directly to individuals than to indirectly subsidize them through the tax code.

Should the fringe benefits you provide your employees be subject to federal income tax?

Question 2. Eliminate accelerated depreciation, ITC?

One of the most provocative proposals in the Treasury Department's tax reform plan is the elimination of the 1981 accelerated cost recovery system (ACRS) in favor of a program that would "stretch out" write-offs for tangible property and index them for inflation. The proposal would also repeal the investment tax credit (ITC), which allows a credit against tax liability for investment in certain depreciable property.

Treasury would replace ACRS with its proposed "real cost recovery system" (RCRS). According to Treasury, RCRS would provide a fair and more accurate measure of real economic income. By eliminating ITC and revising ACRS, write-offs for property would be more evenly distributed over the life of an asset. The plan would also attempt to correct problems in the current system caused by inflation.

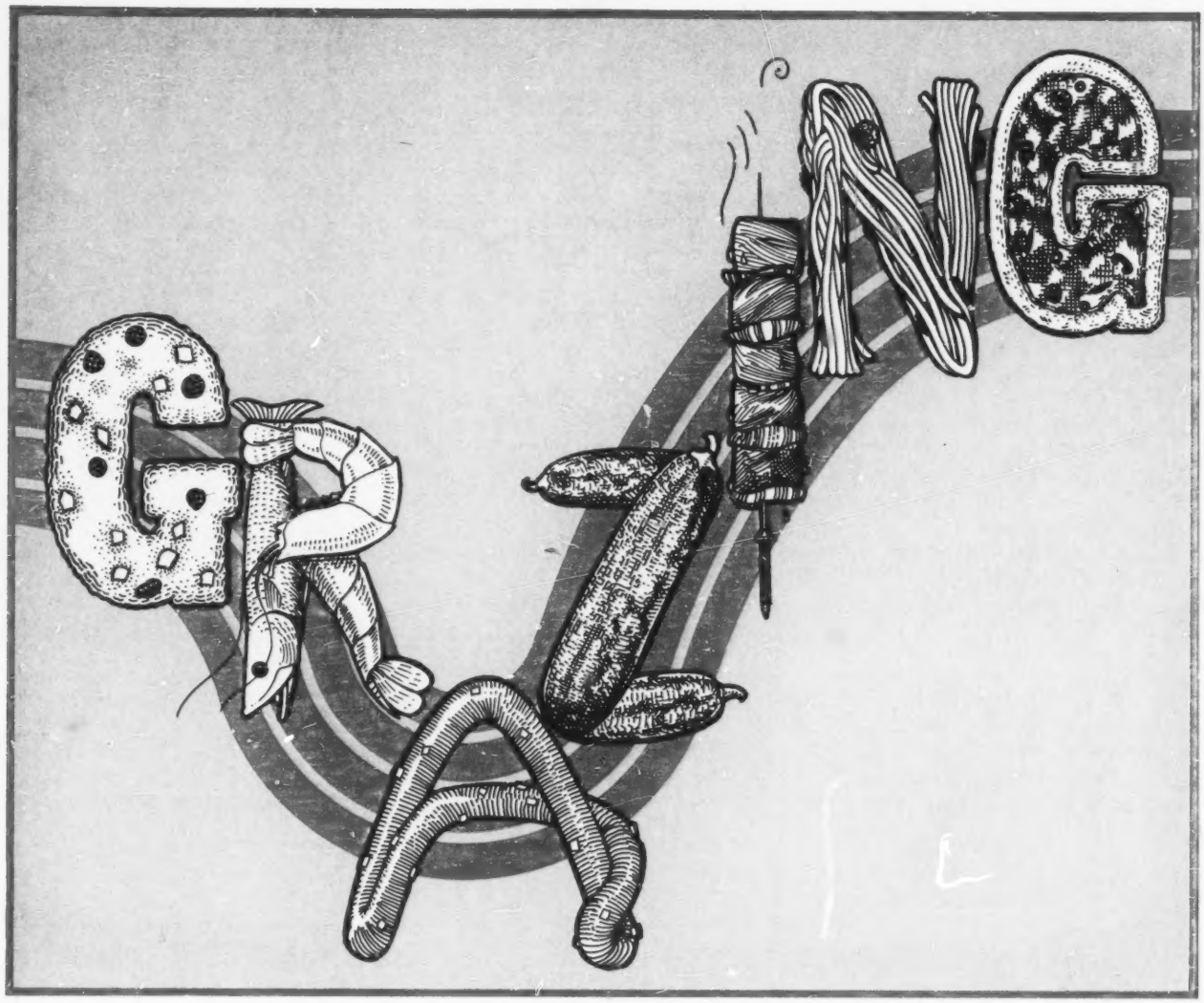
As a trade-off for these changes, Treasury has proposed lowering the maximum corporate tax from 46 to 33 percent and making half of all dividends paid to shareholders deductible.

Pros: Low or negative effective tax rates on ACRS property and the tax deferral resulting from accelerated depreciation allowances distort investment decisions, Treasury argues. By significantly shortening the useful life of assets, ACRS and ITC have encouraged non-productive, tax-motivated investment activity. As a result, ACRS and ITC have disproportionately benefited capital-intensive industries, allowing them to pay taxes at a much lower rate than the labor-intensive service industries.

Cons: Advocates of ACRS and ITC say the 1981 changes in the law were the impetus of current economic expansion. A slowdown in depreciation and repealing ITC would discourage capital formation, and reduce demand, production and employment, according to economists at Washington University in St. Louis. Reduction of the corporate income tax rate from 46 to 33 percent would not make up for the higher taxes resulting from the loss of ACRS and ITC, say business leaders of industries which have made use of these tax breaks.

Would the elimination of ACRS and ITC in favor of Treasury's tax reform plan benefit your business?

Please respond to the above questions, using the attached postage-paid card.



Customers indulge their wandering palates

by Susan Puckett

From 11:30 a.m. until midnight every day of the week, customers flock to Brown Thomson & Co. Restaurant in downtown Hartford, CT—but not necessarily to dine. Rather than order a full-course meal from the more-than-100 item menu, they're likely to opt for an appetizer or two, a voluptuous dessert or both—and skip the entree altogether.

This new dining pattern has been called "grazing"—a term used to describe the burgeoning segment of the population that rarely sits down to formal meals—either at home or away. Instead, they follow their wandering palates to places that can fulfill whatever they happen to be craving at the moment, as quickly as possible. It may be the Chipwich from the downtown street vendor, the super-stuffed spud from the shopping mall food court, the pasta salad from the gourmet carryout or a mountain of cheese-covered nachos from a favorite restaurant.

Who grazers are . . .

Grazers, according to a recent article in *The Wall Street Journal*, are largely comprised of the baby boomers who grew up on fast food. Now their tastes have grown up. Many have graduated from cheeseburgers, fries and milkshakes to more sophisticated short-order fare: ham and cheese-stuffed croissants, fried zucchini sticks, and "tofutti," a soybean-based concoction similar to ice cream.

Although the term grazing has only recently been applied to people, eating on the run isn't a new phenome-

non. The first signs of the trend began surfacing during the recession of the mid-1970s, when more women entered the work force and had less time to spend preparing meals.

The growing number of one and two-person households has also had a significant effect on the nation's changing eating habits. "Going out to eat used to be a big treat," says Harry Balzer of NPD Research, a Chicago-based market research group which studies consumer eating trends. "But for most people today, it's become a way of life."

What grazers look for . . .

Convenience, quality and variety are top priorities in making their food selections. "They enjoy trying different ethnic foods and specialty foods . . . they're interested in health and nutrition, but counting calories isn't their number one concern," says Balzer.

Many restaurateurs have found they can reap big profits by appealing to this finicky, fast-paced, sophisticated market. But with every other segment of the food industry vying for their business as well, it requires an extra amount of creativity and clever marketing to keep them from moving on to greener pastures. Already operators from every segment of the industry are taking advantage of grazing.

Since it first opened four years ago, Brown Thomson and Co. has been a mecca for grazers. Steve Dean, director of the Restaurant Group of Connecticut, which owns the restaurant, attributes its appeal primarily to the diversity and consistent quality of the menu items, the quick service and the lively but relaxing atmosphere.

"We're very big on variety here," he notes. "We want the customer to be able to get anything he wants at Brown Thomson's—at any hour we're open."

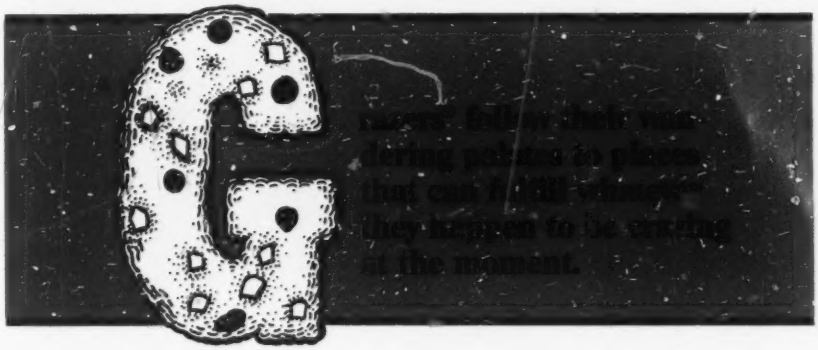
The extensive menu features more than 40 appetizers designed to appeal to all tastes: potato skins stuffed three ways, "pizzas" on pita bread crusts, crocks of escargot, cups or bowls of a fiery chili, deep-fried vegetables and ceviche—shrimp and scallops "cooked" in a lime juice marinade—which sells "real well with dieters."

To answer New Englanders' growing demand for spicier foods, there are 12 Mexican-influenced items on the appetizer list alone. For the adventurous eater who has trouble making a selection, there is a sampler of six different appetizers, including deep-fried vegetables and miniature pork and chicken kabobs.

Appetizers, light foods popular . . .

The appetizers, Dean says, sell particularly well around 3 p.m. or 4 p.m. "when a lot of people like to come in for a snack." He added, however, that "because our portions are so enormous, it's not unusual for a party of six to split several appetizers between them and let that be their dinner."

Houlihan's Old Place, a multi-unit operation owned by Gilbert/Robinson, Inc., in Kansas City, MO, has also expanded its appetizer menu dramatically in the past few years to give the grazers more of the choices they seek. Also big sellers with this group are the 20 items on the chain's new "light" menu. Frederick R. Hipp, executive vice president, calls it "taking the grazing concept one step further."



The supplemental menu features offerings which allow customers to venture far beyond cottage cheese and fruit platters while watching their waistlines. The leading entrees on the list are glazed chicken teriyaki with fresh vegetables and sesame-shrimp stir fry. There's also an assortment of pared-down desserts, such as a hot blueberry granola crunch and a "cappuccino puff," which is a large cream puff filled with chocolate mousse and covered with a mocha chocolate sauce.

But dieters aren't the only ones who order from the light menu. "It's also a great rationalizer for those who want to splurge afterward, and order a piece of our three-layer, seven-inch-high cappuccino cake," he adds.

Fast service critical . . .

Because grazers are typically in a hurry, fast service is more important than ever. "While it's important to be creative with your menu, you've also got to keep the recipe time down to a minimum," Hipp says. "Most of our items take seven or eight minutes to prepare; 12 minutes is the maximum time allowed for even our slowest items to get out of the kitchen."

At lunchtime, an "express" menu is available for customers who are more pressed for time than usual. The menu is limited only to items which are ready in an instant, such as croissant sandwiches, soups and salads. The express menu is also much shorter than the regular one, Hipp adds, because "much of the customer's time in the restaurant is spent trying to make a decision."

Coordination of floor help is imperative to getting the orders out to customers. "We call it the 'flying food show,' " Hipp adds good humoredly. "As soon as an order goes up on the line, the next waiter or waitress takes it out—regardless of who originally waited on the customer."

Fast food for sophisticates . . .

Quick service and quality food are also two of the major objectives of another chain which appeals widely to grazers: The Fresher Cooker. Its "nothing-fried" menu includes a bevy of salads, fancy-topped potatoes, sandwiches, soups and hot and cold pasta dishes—all made with fresh, preservative-free ingredients. The 15 units currently located in Louisville, KY; Orlando, FL; Indianapolis, IN; and Silver Spring, MD, are set up not as full-service restaurants, but as free-standing fast food operations, with the exception of one that is located in a shopping mall food court.

"In 1978, I began noticing that people's tastes were getting more sophisticated and that they were becoming more knowledgeable about what they were eating," recalls Mark Weiss, Fresher Cooker president. "But at the same time, I also recognized that

there was a growing segment of the population that didn't want all the cholesterol and grease in their foods."

He responded by opening a full-service restaurant in Louisville, KY, specializing in lighter, healthier fare called the Farmer's Garden. "But I decided it just wasn't the right vehicle for us; it was a management nightmare." So he switched to a fast-service concept.

As with franchise operations, quality and consistency are key. But at the Fresher Cooker ingredients are used in multiple ways, which Weiss maintains improves efficiency, reduces waste and allows for greater menu expansion. Fresh pasta, for example, may be served hot, with an Italian meat sauce, or cold, with fresh vegetables and a dressing for a salad. Spiced ground beef may be used in a taco salad, as a topping for a baked spud or as an embellishment for a platter of nachos.

"One of the amazing things about our operation is that no one item dominates the others; they all do well," says Weiss.

Pasta, cafeteria-style . . .

Another fast-food operation which succeeds in satisfying the discriminating grazing palate is Mama Mia! Pasta, with two operations based in Chicago, IL, and plans in the works for franchising.

"We're set up to be a grazer's heaven," said owner Dorothy DeCarlo. She describes the operation as an "adult fast-food restaurant," which caters primarily to an upscale, white-collar clientele that wants "good food, ambience and a good glass of wine."

Service is pseudo-cafeteria style, with the trays taken from one station to the next by employees, rather than by the customers. At the first station, the customers may select from a variety of homemade pastas, which are made fresh daily in full view of the customers. Patrons then pick from an array of toppings: marinara, meat, zucchini and tomato, Alfredo or clam sauces. (Customers are encouraged to try a spoonful of sauce before ordering, if they wish.)

Also available are pasta and green salads, Italian sandwiches, homemade soups and a variety of desserts, such as amaretto cheesecake and imported Italian ice cream. At the beverage station, there are imported beers and wines sold by the glass or bottle, imported mineral water, espresso and cappuccino.

"Everything is sold a la carte, so that people can mix and match their own meals," she notes. "And most of our items come in small and large sizes. The option is entirely left up to the customer."

Alternatives in full-service restaurants . . .

Even a full-service restaurant with a more limited selection can attract grazers, without adding an extra page or two to their menus. Sushi and seafood bars are a couple of viable alternatives.

Although Mother Shucker's in Addison, TX, specializes in full-course, New Orleans-style seafood dinners, they've also lured many a grazer with the freshly-shucked oysters and boiled shrimp offered at the bar.

"Ours is different from most oyster bars in that customers go up to the counter, place their orders for the oysters or shrimp and then take seats in the dining room," says Shirley Gardner, president. "After the oyster shucker at the bar shucks the oysters, the waitress takes them to the table—usually within five minutes."

Either the oysters or shrimp may be ordered by the dozen or half-dozen—as an appetizer or as a main course. "It isn't unusual for customers to make a meal on just the oysters or shrimp and maybe order a cup of seafood gumbo on the side," she says. "In this area, oysters are a very hot item now—especially with dieters—because they're so low in calories."

Although reservations are usually required to get a seat for dinner at Sammy's, one of Cleveland's most popular restaurants which specializes in upscale, haute cuisine, the restaurant is well-equipped as well to meet the needs of customers who drop in on impulse. For example, anyone can take advantage of the seafood bar, anytime. Items are sold by the ounce at market prices and usually include shrimp, crab legs, mussels, fresh salmon, stone crab and lobster claws, clams and golden oysters.

From the bar, the customer may order anything from the appetizer menu, such as assorted terrines and fruit and cheese platters. Desserts are also available.

Most recently, Sammy's has begun offering yet another alternative to the gourmet-on-the-go: its Tenth Street Market, located underneath the restaurant. The market features takeout meals as well as fresh produce and a number of hard-to-find ingredients, such as arugula, yellow bell peppers, imported baby zucchini, goat cheese and fresh herbs. Entrees include individual portions of rack of lamb in puff pastry, pork chops stuffed with shrimp or lobster and chicken legs stuffed with hazelnuts and vegetables. These items are easily finished at home, and the employee behind the counter gives instructions to customers. Most items require no more than sauteing in a skillet or popping in the oven for half an hour or less.

Side dishes, pasta salads, desserts and fine chocolates are also available at the market, as are a wide selection of imported mineral waters and sodas.

"What we offer customers at the market is quality grazing," explains Parker Bosley, head chef. "We want to give them a chance to see, in their raw state, some of the ingredients we use in the dishes upstairs." Adjoining the marketplace is a small cafe offering a limited, but highly imaginative, selection of soups, salads and entrees, such as fresh vegetable and goat cheese pizzas, that "allow us to showcase our market produce in their finished form."

He adds that "what we want to be able to do is meet all of our customers' needs and educate them as well." ❑

1984 in review

by Elyse Cuttler

Take a good idea and give it a little something extra. That's adaptation—the most distinguishing characteristic of the 1984 foodservice marketplace. Baked potatoes, hamburgers, fish, pizza, pasta and even vegetables have shed their familiar look for a new style that meets the interests of the more sophisticated, experimental and nutritious conscious consumer of the 1980s.

Nutrition—touching every segment . . .

"Light and lean," "low sodium/cholesterol," and "well-balanced" are phrases that have found their way into every segment of the industry. In 1984, institutional feeders began implementing aggressive programs of their own.

Canteen Corporation, ARA Services, Interstate United, Greyhound Food Management, Service Systems Corporation and Corporate Food Services now provide employees with innovative menu selections and educational tips on how to stay in shape and maintain a well-balanced diet.

Fast service operations, too, have realized that nutrition is here to stay. Some have added items to their menu, such as the Roy Rogers chain, which is now selling baked potatoes with several different toppings and has added 10 new vegetable and nut items to its salad bar.

Other chains are quickly building their reputations around lighter items.

Even desserts can be put back into the diet plan with the introduction of such items as tofutti, a frozen dessert similar in texture to ice cream but made with tofu (bean curd), which is nondairy and cholesterol free.

Sushi bars from coast to coast . . .

As part of the nutrition trend, but with a distinct momentum of its own, is the growing popularity of fish and seafood. Over the last few years patrons have been more willing to try different species and methods of preparation. Now they are not afraid to eat fish raw. Americans can't seem to get enough of sushi—the Japanese dish of raw fish and rice. Sushi bars are visible throughout the country, appearing in upscale establishments as well as fast service operations.

Ethnic market mushrooms . . .

Ethnic food establishments are digging deeper into their country's repertoire. Mexican foodservice establishments are introducing items such as pollo de mole (chicken with chocolate and cinnamon sauce), whole red snapper stuffed with crabmeat and vegetables, and veal with mushrooms and scallions in a mescal tequila sauce.

Oriental concepts, too, have been transformed due to Oriental chefs being schooled in classic French traditions. Customers now have the opportunity to sample dishes such as tempura squid and halibut rolled around Japanese pickles.

U.S. foodservice has gone global as many establishments expand their concepts beyond American borders. Some operators are just breaking new ground on the international frontier; others are expanding. In countries with strict dietary laws, substitutions are commonplace. Pork, for example, is not allowed in Bahrain, so Subway Restaurants has substituted turkey for pork.

New dressings for old favorites . . .

It seems that old favorites can't be left alone either. Hamburgers have found new helpers. Imaginative toppings range from avocado and jalapeno peppers to zucchini, cheese and mushroom sauce.

Pizza, long a staple of the baby boom generation, also has gone gourmet. Customers are no longer content to eat pizza with just tomato sauce and cheese; toppings now include duck sauce, lamb sausage, steak, eggplant, mussels, goat cheese and crabmeat.

Pasta, too, has been dressed up with vegetables (primavera) stuffed with lobster and sauced with combinations that range from olives to raisins.

Takeout takes off . . .

Takeout has taken a new meaning with grazing, a term used to describe the way many customers are now eating their meals. (See article in this issue.) Grazing refers to people who eat progressive meals: an appetizer at one restaurant, an entree at another or, alternatively, patrons who concentrate on appetizers and desserts, prefering to skip the entrees.

Beverages—spirited but non-alcoholic . . .

In response to the concern for drunk-driving, dram shop legislation, pressure from special interest groups and stricter enforcement of driving while intoxicated (DWI) laws, many restaurateurs have developed alcohol awareness programs and reevaluated their alcoholic beverages promotions (See October ***NRA NEWS***).

Operators have scaled down happy hour promotions and two-for-one service and instead have opted to expand appetizer menus and experiment with lite beer, wine coolers and other non-alcoholic beverages, such as fruit juice-based drinks.

Small vegies no small trend . . .

An addition to American regional cookery, which continues to be popular, is the proliferation of fast service homestyle cooking chains—a throwback to the days when a home-cooked meal meant good country cooking. These establishments highlight such items as mild or spicy chicken, country-fried steak and gravy, and made-from-scratch buttermilk biscuits.

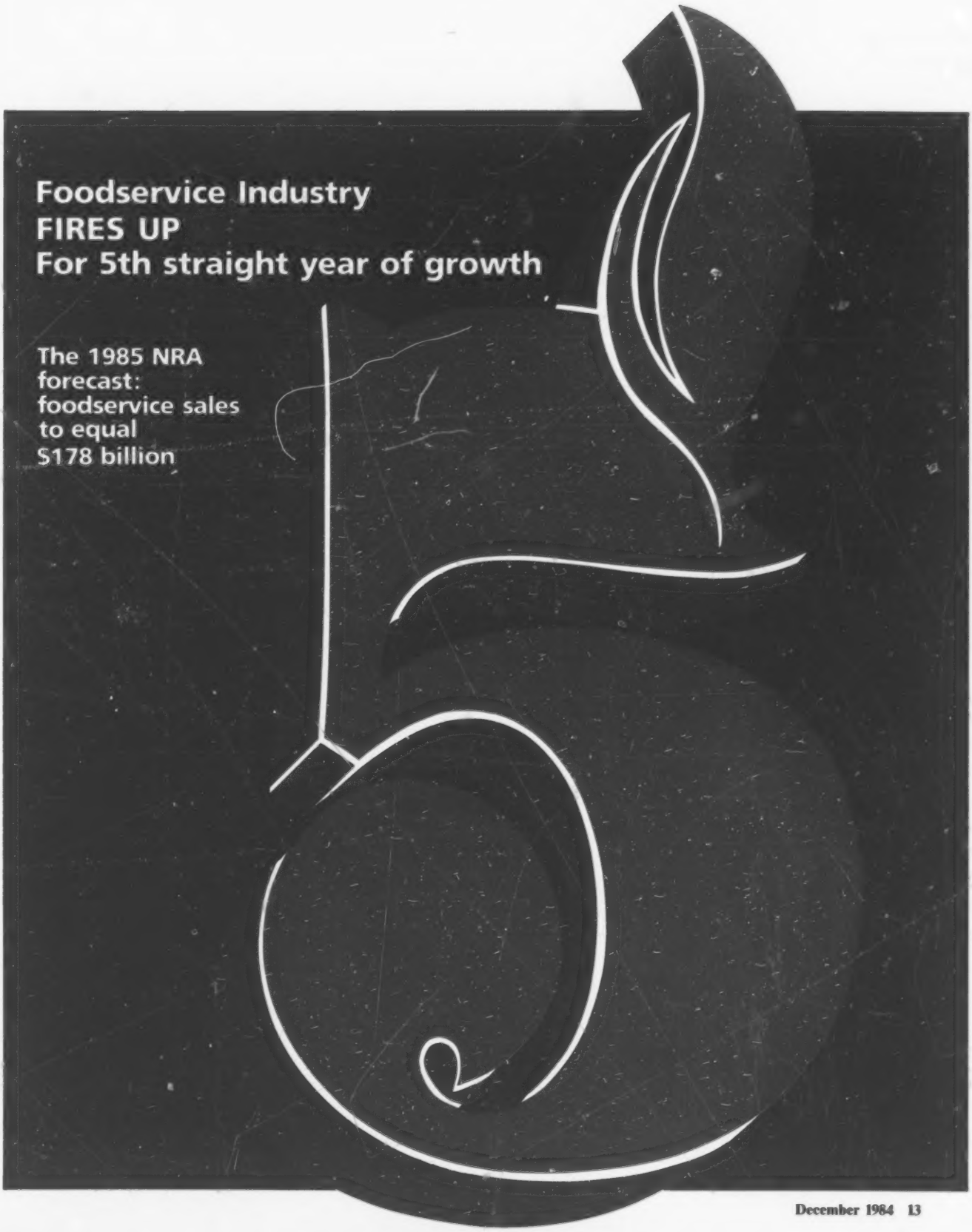
To compete with this homestyle concept, many other fast service chains are introducing made-on-premise items, such as biscuits.

For those who like a visually creative meal, the introduction of mini-vegetables has caused quite a stir. The U.S. Culinary Team prominently featured these vegetables in their recipes when they competed in the International Culinary Competition in Frankfurt, Germany, this fall.

Grown in California, Florida and Hawaii, the crop size of these miniature vegetables, including carrots, squash, broccoli and eggplant, has doubled from last year.

Foodservice Industry FIRES UP For 5th straight year of growth

The 1985 NRA forecast: foodservice sales to equal $178 billion



Highlights

NRA's 1985 industry forecast predicts a fifth consecutive year of real sales growth. Menu prices are expected to rise at a moderate pace similar to the past two years.

Foodservice industry sales are projected to reach $177.9 billion in 1985—an increase of 8.2 percent over 1984.

Real sales, adjusted for inflation, should advance 3.2 percent—somewhat lower than the 4.2 percent and 3.8 percent gains of 1984 and 1983, respectively.

Performance will vary by industry segment. Real sales for the ***Commercial Feeding Group*** are forecast to rise 3.4 percent, while the ***Institutional Feeding Group*** should record a lower 1.3 percent gain.

Airline contract feeders and ***airlines*** and ***railroads providing their own foodservice*** are projected to report the largest real sales growth in the industry in 1985—5.9 percent and 5.3 percent, respectively.

Fast food restaurants will continue to post impressive real sales gains in 1985—up a healthy 4.7 percent.

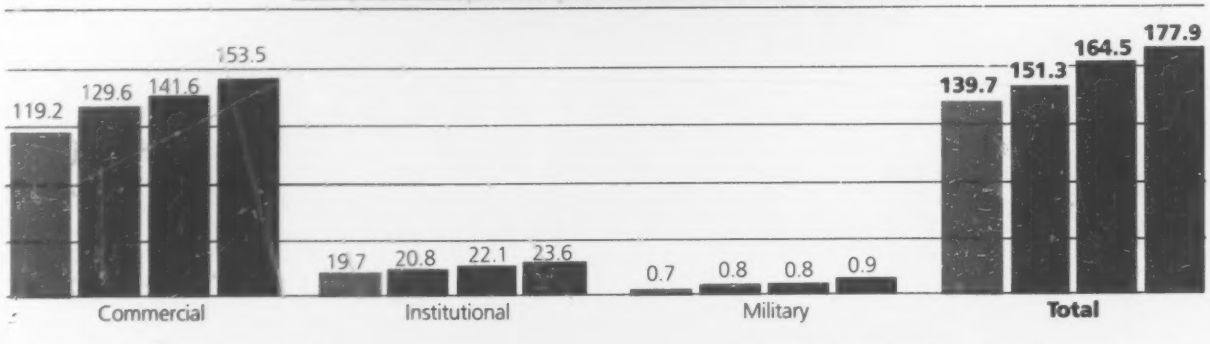
Eating places, which account for more than 60 percent of total industry sales, are expected to report sales of $112.3 billion in 1985—an 8.6 percent increase over 1984.

Eating places will post strong real sales growth of 3.7 percent in 1985, the result of an expanding economy, rising real incomes and moderate inflation.

Menu prices will advance a modest 4.9 percent in 1985 due to slightly higher food and labor costs.

The information contained in this report was prepared in consultation with the research firm Malcolm M. Knapp, Inc.

Foodservice industry sales, 1982–1985
(billions of dollars)



Note: 1984 and 1985 figures are projected

Introduction

The foodservice industry is fired up for its fifth consecutive year of growth, according to *the National Restaurant Association's (NRA) 1985 Forecast.* Industry sales are expected to reach $178 billion in 1985—a substantial 8.2 percent increase. Real sales are projected to advance 3.2 percent—the fifth consecutive year of real sales gains.

The foodservice industry is made up of a diverse number of segments, each affected by a variety of volatile elements. To give readers a comprehensive view of the industry's expected performance in 1985, this report is divided into sections:

Part I. Major factors affecting industry growth
—Changing consumer demographics
—Marketplace challenges
—The economy—effects of 1984 and projections for 1985
—The legislative environment

Part II. The foodservice industry in 1985
—Menu prices
—Projections for specific industry segments—eating places, lodging places, educational feeding, employee feeding, transportation feeding, health care feeding, recreational feeding, retail hosts and military feeding

Part III. Regional and state-by-state projections

Part IV. Projected industry purchases

Part V. Updated 1984 sales figures

Part VI. Gallup survey on customer satisfaction with frequency of dining out

Part 1

Major factors affecting industry growth

Adapting to today's consumers . . .

Changing consumer demographics and lifestyles directly affect customers' dining out patterns. Some of the major demographic trends that will affect the foodservice industry during the rest of the decade include the maturing baby boomers, the rising number of senior citizens, more singles and smaller households, increasing numbers of working women and the baby boomlet. (See the October issue of ***NRA NEWS*** for a complete summary of demographic projections and the November issue for a spotlight on the baby boomlet.)

Here is a look at several of the trends occurring in today's foodservice market and some of the ways restaurateurs are reacting to ever-changing consumer preferences.

Convenience

Convenience has become a top priority for many Americans. Many consumers don't want to spend the time shopping for food and preparing it at home. In particular, the rising number of single households and working women (an increasing number with pre-school age children) has contributed to the importance of convenience in the restaurant industry.

Restaurateurs are reacting by offering fast home delivery service, expanded hours (including late night drive thru windows) and a variety of take out options. Customers' increasing sophistication has resulted in an expanding gourmet take out market that includes full meals and individual signature items to go.

Operators, faced with growing competition from both convenience stores and grocery store delis, are offering creative, top quality items to capture more of the expanding convenience market.

Discriminating customers

Customers are becoming more quality conscious and are demanding more sophisticated entrees. A better educated public and the aging of the baby boom generation are the major factors fueling consumers' more discriminating tastes. For instance, baby boomers have grown up with eating out frequently, have more money to spend and expect a high quality and interesting dining out experience.

Restaurateurs are responding by upscaling concepts, decor and menu items. Prime examples include entrees like gourmet burgers; unusual desserts; "build your own" options, which allow patrons to customize their entrees; and exhibition cooking.

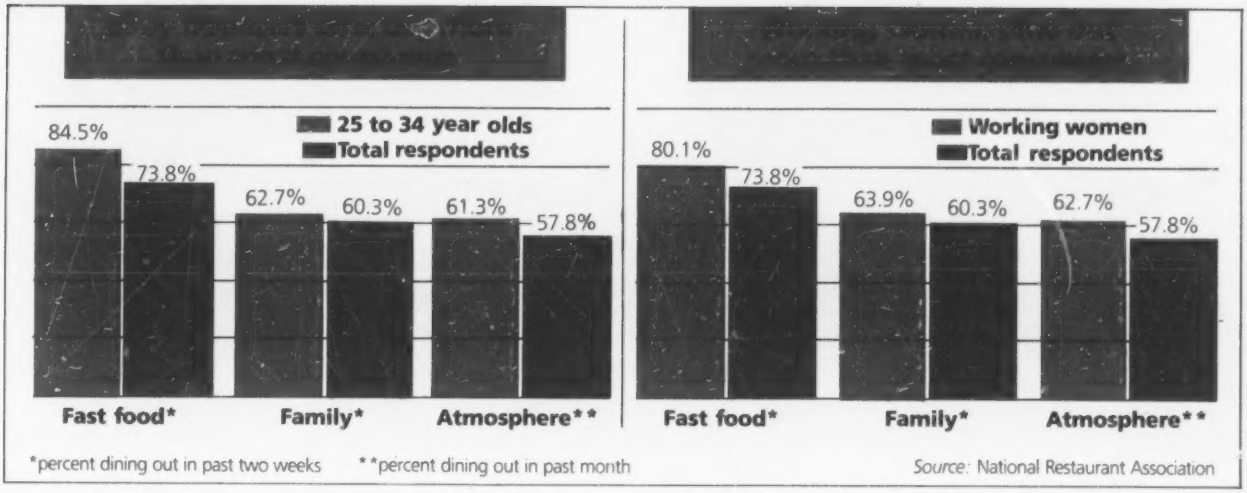
Diversity

Today's discriminating customer also wants diversity and variety when dining away from home. The increasing demand for different kinds of international foods is an example of this trend. Part of this movement is due to the growing number of immigrants from a variety of places. Consequently, more Americans are being exposed to less commonplace ethnic foods, such as Ethiopian, Indian and Greek items. At the same time, traditional ethnic favorites are becoming "Americanized." For instance, Oriental specialties, nachos and pasta are appearing in all kinds of restaurants. The growing number of Oriental fast food chains is another example of ethnic food becoming integrated into the mainstream of America's eating patterns.

Other new concepts and cooking methods have also sprung up to cater to Americans' demand for diversity. Home-style restaurants, mesquite grilling and American nouvelle cuisine are several examples of the industry's response to customer desire for different textures and tastes.

Grazing

Another trend reflecting customer preference for variety is "grazing." Restaurant operators are reacting to



*percent dining out in past two weeks **percent dining out in past month

Source: National Restaurant Association

their patrons' desire "to try a little of this and a little of that" by providing a variety of appetizers and small entrees.

Food courts (several small restaurants clustered together, usually in a shopping area), mini-stores (smaller units offering simpler menus) and even gourmet ice cream and cookie shops cater to grazing tendencies.

Nutrition

Public interest in nutrition is also having an effect on the foodservice industry. Several of the fastest growing demographic segments are particularly concerned with nutrition—working women, older Americans, college graduates and families with small children. Consequently, offering healthy foods will continue to be important for restaurateurs.

Restaurant operators are responding to this trend by offering special light dishes, items prepared without salt; more broiled, baked or grilled entrees and menus with calorie counts and nutritional information.

Fast food chains are springing up with menus geared entirely around lighter foods. Traditional fast food companies are also promoting low calorie entrees like salads, baked potatoes and lighter sandwiches. And in the hotel segment, several chains have developed menus featuring nutritional entrees.

Breakfast

Breakfast's growing popularity is due to consumer interest in nutrition as well as to busy lifestyles. Picking up breakfast on the way to work is becoming increasingly popular as more restaurants offer a variety of breakfast options.

Breakfast buffets, homemade biscuits, croissants and breakfast sandwiches are some of the ways restaurateurs are responding to the growing breakfast market. Business breakfasts and weekend brunches are also popular ways to attract more breakfast business.

Consumer inconsistency

Although demographic trends do affect general dining out patterns, they will never totally define the foodservice industry. Consumers will continue to eat out for a variety of reasons and choose different foods and restaurant types on different occasions. This unpredictable and sometimes contradictory dining out behavior suggests that there may be opportunities in what sometimes appear to be contrasting markets.

For instance, nutrition and eating light foods are major trends in today's market. At the same time, however, there is a definite demand for specialty breads, premium ice creams and delectable, but highly caloric, upscale desserts.

Along the same lines, more people are ordering seafood and chicken these days since beef is sometimes perceived as being a heavier entree. Yet, gourmet burgers—thick patties with a variety of toppings—are a hot item.

Consumers are interested in exotic, international foods, yet there is a movement towards simple home-style cooking. And, the basic hamburger, fries and pizza many of us grew up with will probably always be American staples.

Many Americans are enjoying more formal meal occasions, typified by the simple elegance of nouvelle cuisine. At the same time, "grazing" and the growing take out market reflect consumers' desire for casual, convenient meal options.

Overall, restaurateurs will continue to face the challenge of providing a diverse public with kaleidoscopic choices in an everchanging marketplace.

Current marketplace trends . . .

The business environment also will affect the foodservice industry during the 1980s. Economic and marketplace factors, such as technological advancements and growing competition, present ongoing challenges for restaurateurs. The following are some of the ways restaurateurs are reacting to today's marketplace.

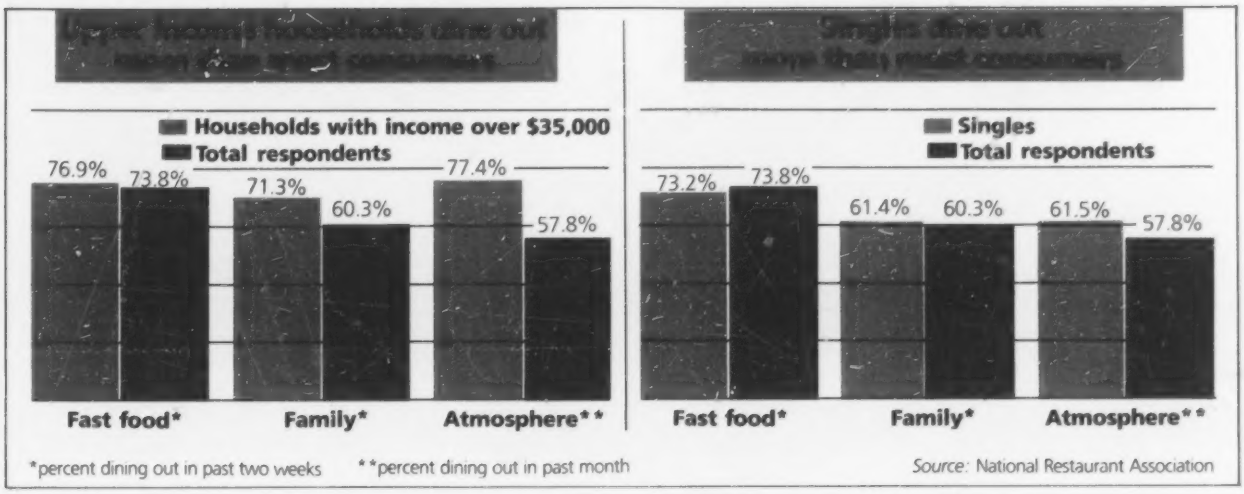
Expansion

Expansion remains a top concern for many operators. Restaurateurs are utilizing creative and non-traditional methods to expand in today's competitive and increasingly saturated market. Some of these methods include:

• *Mergers/acquisitions.* Many companies are diversifying into different markets by buying or merging with existing firms. This enables firms to branch out in different directions, which is important in today's diverse marketplace. Also, firms gain the option to convert existing sites into their own concepts rather than develop new sites—often a cost effective strategy.

• *Mini-stores.* Some firms are developing small, basic units which only provide take out service. The reasons are simple—the units are less costly to build and have lower overhead expenses. Typical sites include crowded downtown areas, food courts, shopping malls and small towns that can't support a full size unit.

• *Non-traditional sites.* Today's competitive market has made prime locations tough



*percent dining out in past two weeks **percent dining out in past month

Source: National Restaurant Association

to find. Consequently, firms are developing "non-traditional" sites, such as military bases, schools, toll road outlets, units in established retail stores and government buildings.

• *Foreign expansion.* As the U.S. market becomes saturated, companies are stepping up expansion in international markets.

Management

Management techniques and philosophies are becoming increasingly sophisticated. Some of the ways companies are adapting to the current marketplace include:

• *Computers.* Advances in computer technology are reshaping the industry. For instance, computers are enabling chains to decentralize operational management and increasingly centralize financial and strategic planning. New technology is helping increase overall efficiency through collecting data for food and labor cost control, scheduling employee hours for maximum productivity, tracking customer counts and check averages, and menu price analysis.

• *Employees.* Due to changing demographics and a shrinking number of teenage employees, companies are putting more emphasis on attracting and retaining workers. Incentive programs, such as tuition credit options, are one current method. Operators are also tapping other pools of workers, such as senior citizens and handicapped individuals.

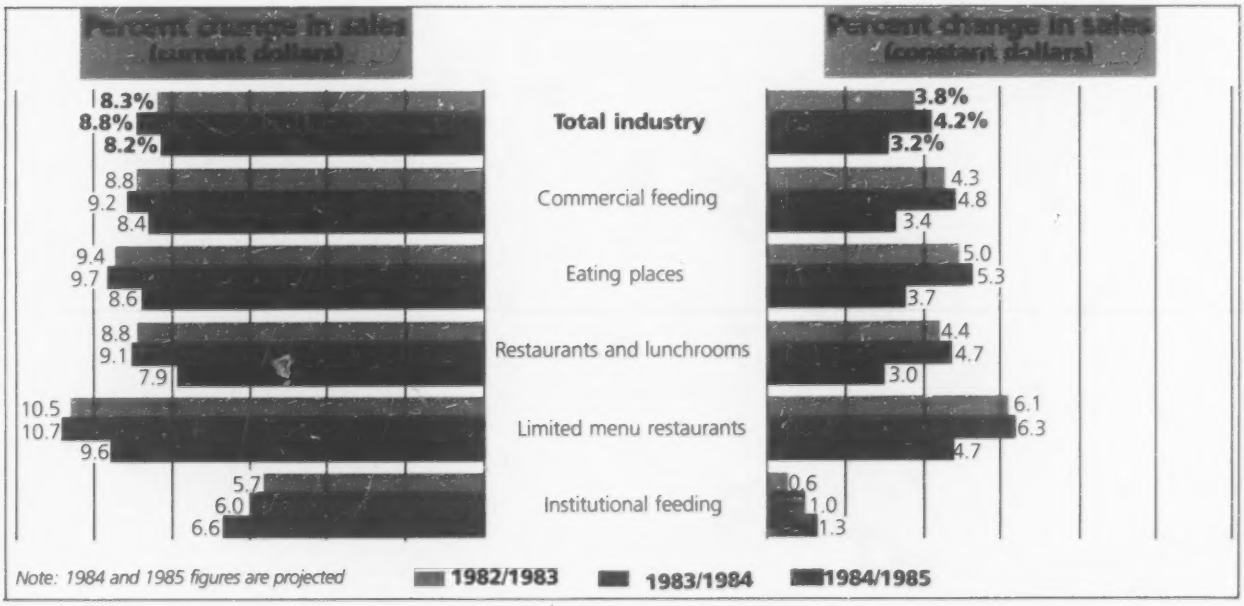
• *Training.* Training methods are becoming more sophisticated. Some companies are even opening their own training centers. Many individuals are also enrolled in professional foodservice training programs. This is boosting the pool of well trained, creative managers and chefs.

Productivity

Companies also are concerned with increasing productivity in today's competitive market. Current ideas for maximizing productivity and cost efficiency include:

• *Flexible concepts.* Companies are developing easily remodeled units to allow repositioning if concepts are not successful. This gives firms greater flexibility in today's quickly changing marketplace.

• *Non-traditional sales.* To increase sales without adding substantial operating costs, restaurateurs are installing creative retail sections and offering items like gourmet take out, baked goods made



Note: 1984 and 1985 figures are projected

on-premise, imported wines, novelty items or antiques and even cooking classes. Some firms have also begun marketing signature items in grocery stores.

• *Time demand pricing.* To boost traffic during slow periods, restaurateurs are offering lower prices during off peak hours (early bird and late night dinners and mid-week periods).

Alcohol awareness

The drunk driving issue is also affecting the industry. Restaurateurs are responding by developing responsible promotional practices. Specific approaches include increasing server training, initiating designated driver programs and eliminating drink discounting. Operators are also putting more emphasis on appetizers during happy hours rather than on inexpensive drinks.

Advertising

Firms continue to concentrate on advertising. Today's consumer is more discriminating, and consequently many ads focus on food quality and preparation, menu diversity and specific specialties. Much of this movement is due to the maturing baby boomers—a top target market—and a better educated, more knowledgeable public.

Economic factors: 1984 and 1985 . . .

Economic factors play a continuing role in shaping the foodservice industry. Consequently, the effect of the economy's upturn during 1984 and the somewhat slower growth projected for 1985 will influence the direction and development of the foodservice industry through the 1980s.

1984 economy boosts industry sales

In 1984, the U.S. economy posted its best performance in 30 years, and the foodservice industry was a prime beneficiary of the robust economy. Gross National Product (GNP), adjusted for inflation, rose a hefty 7.0 percent in 1984, nearly twice the gain of 3.7 percent recorded in 1983. After the severe recession of 1982, which saw real GNP drop a sharp 2.1 percent, the nation was ready for a period of strong growth, and so was the restaurant industry.

Other highlights of the 1984 economy include:

• Consumers remained confident about their current situation, with the Consumer Confidence Index, as reported by the Conference Board, reaching levels not seen since 1978.

• Real disposable personal income rose sharply—up 6.5 percent versus a 3.5 percent gain in 1983 and a 0.9 percent rise in 1982.

• Inflation rose a modest 4.3 percent—up from the 3.2 percent rate in 1983 but well below the rates of 6.8 percent and 9.6 percent in 1982 and 1981, respectively. The expanding economy precipitated the slight run-up in prices.

• The unemployment rate moved down sharply—from 9.5 percent in 1983 to 7.5 percent in 1984. Laid-off workers were recalled and new jobs were created as the nation's factories increased production.

The restaurant industry also posted record breaking results in 1984. Consumers with more money to spend and more confidence in their economic well being, opted to eat out more frequently and to spend more on dining away from home. In fact, a recent Gallup poll conducted for the National Restaurant Association revealed that seven out of 10 consumers feel they are eating out as frequently as they would like, up considerably from six out of 10 when the same survey was conducted in 1983. However, the market is still not saturated, and there is still plenty of opportunity for industry growth.

Customer traffic, as reported in the *CREST Household Report,* experienced the strongest gains in the history of CREST in the first half of the year. In the winter quarter, customer counts were up 6.2 percent over the same period in 1983, and in the spring, traffic rose a hefty 7.5 percent. Summer traffic also posted a gain—up 2.4 percent—with the slower rate mirroring the national economy as a whole. Indications are that customer traffic has picked up somewhat in the fall and should be strong during the holiday season.

Other highlights of the 1984 industry performance include:

• Quick service restaurants, which include most fast food places, performed well throughout the year. Especially strong traffic gains of 5.3 percent and 7.7 percent were posted in the first two quarters.

• Midscale restaurants recorded strong traffic gains in the winter and spring, but customer counts dropped in the summer. Some consumers became a little more cautious and "traded down" to less expensive places, while others who felt good about their economic prospects opted to "trade up" to more expensive establishments.

• Upscale restaurants posted especially strong traffic gains in the spring and summer—10.3 percent and 4.6 percent, respectively.

• Ethnic restaurants in all price ranges performed well in terms of traffic and sales growth in 1984.

• Breakfast continued to post the most significant traffic gains, with customer counts up 5.1 percent in the winter, 11.9 percent in the spring and 9.6 percent in the summer over the comparable periods in 1983.

• Lunch traffic posted significant gains in 1984 due primarily to increased numbers of employed persons.

• Dinner customer counts were substantially higher than in prior years. Consumers, with more discretionary income at their disposal, treated themselves to more evening meals away from home.

Demographic trends that will affect the industry

Age groups
- Aging of the baby boomers
- Rising number of senior citizens
- Declining teenage population
- Baby boomlet during the 1980s

Households
- Smaller households, more singles
- Increasing household incomes
- More working women

Education
- Better educated, discriminating public
- More college graduates

Geographic
- More people moving South and West
- People moving out of cities into smaller communities

Immigration
- More immigration
- Immigrants from an increasing variety of places moving into different parts of the country

All this resulted in the industry's best real sales gain since 1977 and set the stage for continued real sales growth in 1985.

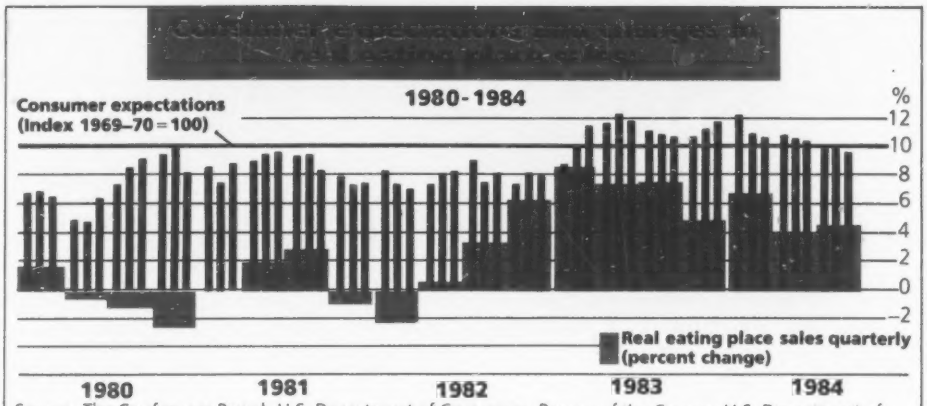
Moderate growth and inflation in 1985

The consensus forecast for 1985 indicates that the U.S. economy will grow at a healthy pace in 1985, although the rate of growth will be slower than in 1984. Real GNP will advance 3.5 percent in 1985 versus the 7.0 percent rate experienced in the prior year. This slowdown in economic growth is a positive event welcomed by most economists. If the economy continued to grow at the rapid pace of 1984, markedly higher inflation and high interest rates would have been likely outcomes.

Inflation, as measured by the Consumer Price Index, is expected to be slightly higher in 1985 than in 1984—5.0 percent versus 4.3 percent. Some upward pressure on food and housing prices as well as slight increases in labor costs are the reasons for the advance in retail prices. However, the rate of gain is still well below the double digit increases experienced in 1979 and 1980 and the 6.8 percent rise in the initial year of recovery from the 1982 recession.

Consumers will continue to experience gains in their real incomes in 1985. Disposable personal income, after adjustment for inflation, will be up 3.4 percent in 1985, considerably lower than the 6.5 percent advance in 1984, but approximating the 3.5 percent rise in 1983. Slightly higher inflation and higher taxes will cause slower growth in consumer incomes. Although most people will benefit from indexation of federal income taxes in 1985, higher Social Security taxes will more than offset the savings.

A bright spot for the restaurant industry: Consumers will not be increasing their spending as much on big ticket items, such as cars, appliances and houses, in the coming year because much of their pent-up demand was satisfied in 1984 and 1983. As a result, spending for non-durable goods and services like restaurant meals should be relatively strong.



Source: The Conference Board; U.S. Department of Commerce, Bureau of the Census; U.S. Department of Labor; Bureau of Labor Statistics; National Restaurant Association.

Unemployment will decline slightly in 1985 as the economic recovery from the 1982 recession enters a period of more moderate growth. Industrial production will continue to rise but at a slower pace—4.8 percent in 1985 versus 11.4 percent in 1984. As a result, the ability of the manufacturing sector to create new jobs will be less than in the prior year. Housing starts will equal about 1.6 million units compared with 1.8 million in 1984. And, new car sales (both domestic and imported) are predicted to reach 10.5 million, down only slightly from 10.6 million in 1984.

The negative factors facing the U.S. economy in 1985 are high interest rates, budget deficits and the trade deficit. Many economists and politicians warn that these issues need to be addressed if the U.S. economy is to continue to grow at a healthy pace during the remainder of the decade. This warning comes in spite of the fact that the U.S. economy grew at its strongest rate in more than 30 years in 1984, a year when all three of these negative factors were present.

Restaurateurs may want to watch the Conference Board's Consumer Expectations Index as a means of predicting the health of the industry over the next year. This index, which tracks consumer expectations for the next six months, can be used as a leading indicator. In the past few years, the series has been a good predictor of swings in real sales growth. This is especially true for 1983 and 1984, as shown in the accompanying chart. The Consumer Expectations Index, although it has recently been moving downward, remains at a relatively high level. This would appear to indicate that real sales for restaurants will be more moderate in early 1985 than in 1984, but positive real gains will be reported.

All in all, the foodservice industry will be operating in a healthy economic environment in 1985, and moderate gains in real sales and traffic are predicted.

Complex legislative and regulatory environment in 1985 . . .

The foodservice industry in 1985 will be operating in a complex legal and regulatory environment. The industry must comply with laws and regulations at the federal, state and local levels. These laws and regulations mandate how much restaurateurs must pay their employees, which employees can serve alcoholic beverages, what hours the operation should be open and how to comply with sanitation and safety standards.

The issues facing the foodservice industry in 1985 are numerous.

At the federal level these include:

- Labor issues, such as minimum wage and tip credit
- Tax issues, such as the deductability of the business meal, taxing fringe benefits and collection of federal taxes on tip income
- Use of additives and preservatives, such as sulfiting agents and aspartame (Nutrasweet) and
- Immigration reform (employment of aliens).

At the state and local level the issues include:

- Labor issues, such as minimum wage and tip credit
- Tax issues, such as the privilege tax (also known as a meals tax), collection of state and local taxes on tip income, sales tax on food sold at restaurants
- Liquor issues, such as third-party liability, minimum drinking age and hours of operation
- Smoking/non-smoking regulations and laws
- Truth-in-menu issues
- Use of additives and preservatives, such as sulfiting agents and aspartame (Nutrasweet)
- Sanitation issues.

Part II

The foodservice industry in 1985

Introduction

Part I laid the groundwork for the foodservice operator's environment in 1985. Now the question remains, "How will the foodservice industry perform in 1985?"

The industry will benefit from the relatively optimistic outlook. The National Restaurant Association projects foodservice industry sales will total $178 billion in 1985—a gain of 8.2 percent over 1984's $164.5 billion. Sales, unadjusted for inflation, should increase $13.4 billion in 1985, similar to the $13.2 billion gain posted in 1984.

Real sales, adjusted for inflation, continue to advance but at a slower pace than during the two previous years. The industry will record real sales growth for the fifth consecutive year, outperforming the industry's boom years of 1975 through 1978. In 1985, real sales are forecast to rise 3.2 percent, following gains of 4.2 percent in 1984 and 3.8 percent in 1983. Sales, stated in inflation adjusted dollars, will increase $5.2 billion.

Food and drink sales in the Commercial Feeding Group, which accounts for 86 percent of total foodservice industry sales, should reach $153.5 billion in 1985—up 8.4 percent from the prior year. This is down somewhat from the 9.2 percent gain posted for 1984. Real sales in the commercial sector will advance, but at a slower rate than in the two prior years—up 3.4 percent in 1985 versus 4.8 percent in 1984 and 4.3 percent in 1983.

The Institutional Feeding Group should report real sales growth of 1.3 percent in 1985—up slightly from 1.0 percent in 1984 and 0.6 percent in 1983. Total sales for this sector are expected to reach $23.6 billion versus $22.1 billion in 1984.

Food and drink sales in the Military Feeding Group are forecast to post strong real sales growth in 1985, rising 3.4 percent. This approximates the 3.7 percent gain in 1984.

Menu prices to rise 4.9 percent . . .

Menu prices are expected to rise 4.9 percent in 1985, slightly above 1984's 4.4 percent gain. Moderate advances in wholesale food costs, inflation, labor and overhead costs will help limit the overall increase in menu prices.

Wholesale food costs are projected to increase 5.0 percent during 1985, approximating 1984's gain. Somewhat steeper prices are expected for beef, pork and citrus products during the first half of the year as lower supplies may cause prices to rise. By the second half of the year, however, prices for these commodities should moderate. Large supplies of poultry and eggs should help maintain low prices for these particular commodities throughout 1985.

Labor costs are expected to rise modestly in 1985—4.0 percent. Moderate inflation and ample labor supplies should help keep payroll costs down. Other operating costs, including energy, are projected to advance at the same rate as overall inflation—5.0 percent.

These basic cost increases, along with operators' concern for improving profit margins, will contribute to the increased menu prices. If less effort is made to boost margins, menu price increases may be even more moderate in 1985.

Overall, the somewhat stronger increase in menu prices during 1985 together with more moderate economic growth will contribute to slightly lower real sales growth for the industry in 1985 compared with 1984.

Eating place real sales growth up 3.7 percent . . .

Growth in eating place sales, which account for almost two-thirds of total industry sales, will mirror the overall economy in 1985 and experience significant gains.

Based on general economic trends, eating place sales are expected to increase 8.6 percent in 1985 and total $112.3 billion. This growth rate is below the 12.1 percent annual growth rate registered during the 1970s and slightly below the 9.2 percent annualized rate of increase recorded between 1982 and 1985.

Real sales at eating places, adjusting for menu price inflation, should rise 3.7 percent in 1985. Although this is below 1984's 5.3 percent gain and 1983's 5.0 percent

Eating place sales projected to 1985
Estimated food and drink sales ($000)

	1982	1984	1985	1984–1985 Percent change	1984–1985 Percent real growth change	1982–1985 Compound annual growth rate
Restaurants, lunchrooms	$ 46,288,290	$ 54,928,320	$ 59,251,544	7.9%	3.0%	8.6%
Limited menu restaurants	35,141,860	42,978,986	47,104,969	9.6	4.7	10.3
Commercial cafeterias	2,412,690	2,806,276	3,039,197	8.3	3.4	8.0
Social caterers	814,268	881,433	927,268	5.2	0.3	4.4
Ice cream, frozen custard stands	1,524,775	1,841,611	2,009,198	9.1	4.2	9.6
Total eating places	**$ 86,181,883**	**$103,436,626**	**$112,332,176**	**8.6%**	**3.7%**	**9.2%**

advance, it is higher than the 2.5 percent increase in 1982 and the slight 1.3 percent gain during 1981. Eating places are expected to post stronger real sales growth than the total industry in 1985—3.7 percent versus a smaller 3.2 percent.

During 1985, consumers will probably continue to react strongly to short-term economic news. As a result, monthly eating place sales may fluctuate widely—just as they have in recent years.

One of the premises of the *NRA 1985 Forecast* is that the gain in real eating place sales will slightly outpace the expected growth in real disposable income—3.4 percent. This is a positive sign for the eating place sector and indicates that consumers will continue to dine out frequently and also trade up to higher priced restaurants as their confidence in the economy and in their own personal situations continues. In addition, a drop in the rate of spending for durable goods will benefit spending for restaurant meals.

Fast food continues to post strong growth . . .

Limited menu restaurants continue to steal the show in the eating place segment and are expected to record the strongest growth during 1985. Limited menu establishments, which are primarily fast food restaurants, should experience sales of $47.1 billion—a substantial 9.6 percent gain. Real sales in this category are projected to rise 4.7 percent, significantly above the 3.2 percent average expected for the total industry and the 3.7 percent for all eating places.

Some of the factors that will affect this important sector in 1985 include:

• *Expansion.* Firms are continuing to build new units, but some are developing non-traditional sites such as military bases, highway stops or mini-stores (smaller, simpler units). Some firms are also merging or acquiring other companies to expand into different concepts as well as different geographic areas.

• *Convenience.* Ongoing consumer desire for convenience will continue to bolster this segment. Units will face increased competition, however, from convenience stores as well as the growing number of takeout options, such as grocery store delis and gourmet takeout.

• *Advertising.* Firms will continue to advertise heavily in the electronic media to differentiate concepts and products.

• *Upscaling.* Companies are upscaling concepts, decor and menu items to capture

Lodging place sales projected to 1985
Estimated food and drink sales ($000)

	1982	1984	1985	1984–1985 Percent change	1984–1985 Percent real growth change	1982–1985 Compound annual growth rate
Hotel restaurants	$ 5,944,444	$ 7,010,800	$ 7,627,750	8.8%	3.9%	8.7%
Motor hotel restaurants	1,032,536	1,215,528	1,317,632	8.4	3.5	8.5
Motel restaurants	1,655,546	1,952,538	2,112,646	8.2	3.3	8.5
Total lodging places	**$ 8,632,526**	**$10,178,866**	**$11,058,028**	**8.6%**	**3.7%**	**8.6%**

Employee feeding place sales projected to 1985
Estimated food and drink sales ($000)

	1982	1984	1985	1984–1985 Percent change	1984–1985 Percent real growth change	1982–1985 Compound annual growth rate
Food contractors						
• Manufacturing & industrial plants	$2,258,294	$2,589,545	$2,781,171	7.4%	2.5%	7.2%
• Commercial & office buildings	709,943	818,101	885,185	8.2	3.3	7.6
Institutional employee feeding*	1,733,223	1,956,521	2,091,521	6.9	2.0	6.5
Total employee feeding	**$4,701,460**	**$5,364,167**	**$5,757,877**	**7.3%**	**2.4%**	**7.0%**

*Includes sales for industrial and commercial organizations, sea-going ships and inland waterway vessels.

Educational feeding place sales projected to 1985
Estimated food and drink sales ($000)

	1982	1984	1985	1984–1985 Percent change	1984–1985 Percent real growth change	1982–1985 Compound annual growth rate
Colleges & universities						
• Contractors	$ 1,407,073	$ 1,686,946	$ 1,826,962	8.3%	0.3%	9.1%
• Institutional	2,783,452	3,303,679	3,558,062	7.7	−0.3	8.5
Subtotal	**$ 4,190,525**	**$ 4,990,625**	**$ 5,385,024**	**7.9%**	**−0.1%**	**8.7%**
Primary & secondary schools						
• Contractors	719,533	743,361	783,502	5.4	0.5	2.9
• Institutional	2,464,112	2,526,099	2,637,247	4.4	−0.5	2.3
Subtotal	**$ 3,183,645**	**$ 3,269,460**	**$3,420,749**	**4.6%**	**−0.3%**	**2.4%**
Total educational feeding	**$ 7,374,170**	**$ 8,260,085**	**$8,805,773**	**6.6%**	**−0.2%**	**6.1%**

the increasingly sophisticated consumer. Gourmet burgers are a prime example of the upscaling trend. Fueling this movement are the baby boomers who grew up with fast food and now often want a little more than a basic hamburger and french fries, but still enjoy the convenience and reasonable prices fast food restaurants offer.

Restaurant sales to advance 7.9 percent...

Restaurants and lunchrooms, the largest eating place category, should experience a solid year of growth during 1985. Sales are expected to reach $59.2 billion—a 7.9 percent gain versus 1984's advance of 9.1 percent. In real terms, restaurant sales should grow 3.0 percent in 1985, compared with a considerably stronger advance of 4.7 percent one year earlier.

Factors which will affect sales in the restaurant category include:

• *Economic growth.* Continued economic gains, such as lower unemployment, rising real incomes and moderate inflation will encourage consumers to trade up and dine out more often.

• *Increased travel.* The positive outlook for travel, both business and vacation, will help boost sales in this category. On the other hand, the number of foreign visitors may drop further if the dollar's strength continues to decline.

• *Time demand pricing.* Restaurants may utilize more time demand pricing (two sets of price points—a high one for peak demand situations, such as Friday or Saturday nights, and a low one for early bird dinners and slower days) to increase visit frequency and sales.

• *Improved management techniques.* Increased attention to managerial skills, more usage of computers and greater numbers of professionally trained managers, will help boost overall efficiency and profit margins.

Transportation feeding place sales projected to 1985
Estimated food and drink sales ($000)

	1982	1984	1985	1984–1985 Percent change	1984–1985 Percent real growth change	1982–1985 Compound annual growth rate
In-transit feeding—commercial airlines	$ 548,688	$ 666,725	$ 738,731	10.8%	5.9%	10.4%
Transportation*	671,864	815,012	898,143	10.2	5.3	10.2
Total transportation feeding	**$1,220,552**	**$1,481,737**	**$1,636,874**	**10.5%**	**5.6%**	**10.3%**

*Includes sales on airlines, passenger/cargo liners and railroads.

Recreational feeding place sales projected to 1985
Estimated food and drink sales ($000)

	1982	1984	1985	1984–1985 Percent change	1984–1985 Percent real growth change	1982–1985 Compound annual growth rate
Recreation & sports centers						
• Contractors	$1,075,677	$1,247,705	$1,347,521	8.0%	3.1%	7.8%
• Non contractors[1]	1,659,459	1,898,139	2,040,499	7.5	2.6	7.1
Subtotal	**$2,735,136**	**$3,145,844**	**$3,388,020**	**7.7%**	**2.8%**	**7.4%**
Clubs,[2] sporting and recreational camps	1,390,580	1,615,970	1,745,248	8.0	3.1	7.9
Total recreational feeding	**$4,125,716**	**$4,761,814**	**$5,133,268**	**7.8%**	**2.9%**	**7.6%**

[1]Includes sales at drive-in movies, bowling lanes and recreation and sports centers.
[2]A proportion of food and beverage sales in clubs is business-related.

Health care feeding place sales projected to 1985
Estimated food and drink sales ($000)

	1982	1984	1985	1984–1985 Percent change	1984–1985 Percent real growth change	1982–1985 Compound annual growth rate
Contractors in hospitals & nursing homes	$ 989,038	$ 1,193,455	$ 1,311,607	9.9%	5.0%	9.9%
Hospitals	7,641,436	8,505,041	9,049,363	6.4	1.5	5.8
Nursing homes	2,704,629	3,024,489	3,224,105	6.6	1.7	6.0
Total health care feeding	**$11,335,103**	**$12,722,985**	**$13,585,075**	**6.8%**	**1.9%**	**6.2%**

Sales up at cafeterias, social caterers and ice cream units . . .

Commercial cafeterias are expected to experience substantial growth in 1985 with sales rising 8.3 percent to $3.0 billion. Real sales are projected to increase 3.4 percent. Many firms have upgraded facilities and added new units, and this has contributed to the positive outlook. Also adding to the optimistic long term picture is the fact that cafeterias offer a variety of entrees at a good price/value that appeals to many Americans.

Ice cream and frozen custard stands should continue to post the second best performance in the eating

place group. Sales are expected to advance 9.1 percent and reach $2.0 billion. Real sales are projected to rise 4.2 percent. Consumers' ongoing interest in gourmet ice cream has helped boost sales. Also contributing to sales is the continued unit expansion in this segment—due in part to takeovers by large corporations.

Social caterers are expected to post sales of $927 million in 1985—a 5.2 percent gain over the prior year. This rate of growth is slightly above the 4.4 percent compound annual rate for the period 1982 through 1985. Real sales are projected to increase a slight 0.3 percent. This category does not include restaurant and hotel catering sales which continue to capture more of the overall catering business.

Popular menu trends

Ethnic foods
- upscale Mexican
- Oriental fast food
- pasta
- nachos
- fajitas
- sushi

Upscale
- gourmet burgers
- croissants
- unique pizza toppings
- extravagant desserts
- premium ice cream and cookies
- gourmet take out

Variety
- baked potatoes
- homestyle cooking
- nouvelle American cuisine
- mesquite grilling
- more appetizers
- "build your own" options
- exhibition cooking
- breakfast buffets

Nutrition
- expanded salad bars
- light fast food
- seafood
- chicken
- calorie and nutrition information
- broiling, grilling and baking
- whole grain breads

Lodging place sales to rise 8.6 percent . . .

Food and drink sales at *lodging places* are predicted to advance 8.6 percent in 1985 and total $11.0 billion. Real sales, adjusted for inflation, are projected to rise 3.7 percent. An increase in the number of conventions and business meetings, more new construction and favorable tax aspects for investing in hotels will all contribute to the strong sales gain in the lodging segment.

Hotel restaurants, the largest component of the lodging place segment, are expected to experience the most rapid growth in this category—8.8 percent in nominal sales and 3.9 percent in real sales. Overall hotel restaurant sales will reach $7.6 billion and account for almost 69 percent of total lodging place sales.

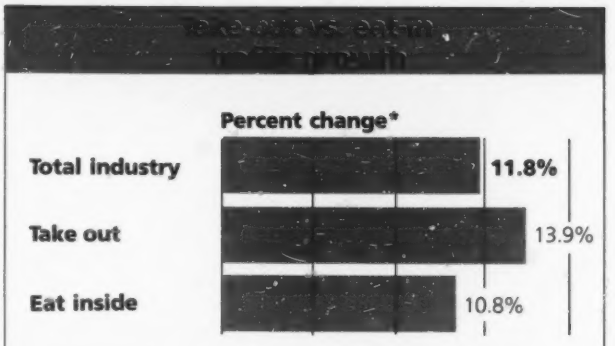
Motor hotel restaurants will post the second strongest sales gain in the lodging category—8.4 percent. Real sales are expected to increase 3.5 percent, and total sales should reach $1.3 billion.

Sales at *motel restaurants* should total $2.1 billion in 1985—an 8.2 percent nominal gain and a 3.3 percent increase in real dollars.

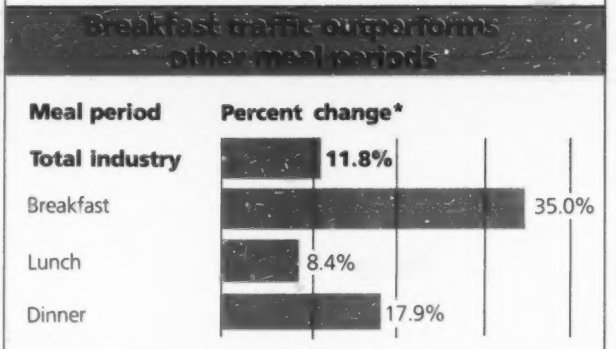
Sales for employee feeding projected to total $5.8 billion . . .

Food and drink sales for the employee feeding category are projected to reach $5.8 billion in 1985—an advance of 7.3 percent over the prior year. In real dollars, sales for this segment are expected to rise 2.4 percent.

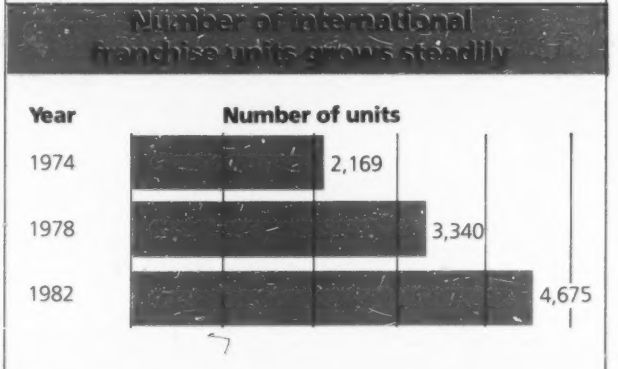
Food contractor sales at *commercial and office buildings* should record the strongest advance in this sector—8.2 percent, with real sales forecast to increase 3.3 percent. White collar employment will continue to



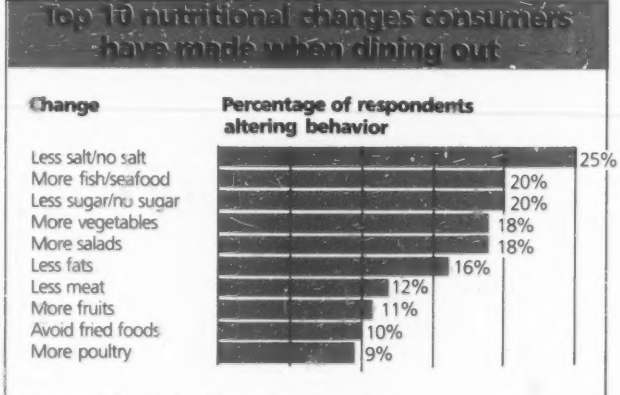
*Percent change between year ending August 1980 and August 1984
Source: CREST Family Report



*Percent change between year ending August 1980 and August 1984.
Source: CREST Family Report



Source: U.S. Department of Commerce



Source: Gallup, National Restaurant Association

The Foodservice Industry—Food and Drink Sales Projected to 1985

	1982 Estimated F&D sales ($000)	1984 Projected F&D sales ($000)	1985 Projected F&D sales ($000)	1984–1985 Percent change	1984–1985 Percent real growth change	1982–1985 Compound annual growth rate
GROUP I—Commercial Feeding[1]						
Eating places						
Restaurants, lunchrooms	$ 46,288,290	$ 54,928,320	$ 59,251,544	7.9%	3.0%	8.6%
Limited menu restaurants, refreshment places	35,141,860	42,978,986	47,104,969	9.6	4.7	10.3
Commercial cafeterias	2,412,690	2,806,276	3,039,197	8.3	3.4	8.0
Social caterers	814,268	881,433	927,268	5.2	0.3	4.4
Ice cream, frozen custard stands	1,524,775	1,841,611	2,009,198	9.1	4.2	9.6
Total eating places	$ 86,181,883	$103,436,626	$112,332,176	8.6%	3.7%	9.2%
Bars/taverns	7,902,348	8,903,891	9,455,932	6.2	1.3	6.2
Total eating & drinking places	$ 94,084,231[2]	$112,340,517	$121,788,108	8.4%	3.5%	9.0%
Food contractors						
Manufacturing & industrial plants	$ 2,258,294	$ 2,589,545	$ 2,781,171	7.4%	2.5%	7.2%
Commercial & office buildings	709,943	818,101	885,185	8.2	3.3	7.6
Hospitals & nursing homes	989,038	1,193,455	1,311,607	9.9	5.0	9.9
Colleges & universities	1,407,073	1,686,946	1,826,962	8.3	0.3	9.1
Primary & secondary schools	719,533	743,361	783,502	5.4	0.5	2.9
In-transit feeding (airlines)	548,688	666,725	738,731	10.8	5.9	10.4
Recreation & sports centers	1,075,677	1,247,705	1,347,521	8.0	3.1	7.8
Total food contractors	$ 7,708,246	$ 8,945,838	$ 9,674,679	8.1%	2.7%	7.9%
Lodging places						
Hotel restaurants	$ 5,944,444	$ 7,010,800	$ 7,627,750	8.8%	3.9%	8.7%
Motor hotel restaurants	1,032,536	1,215,528	1,317,632	8.4	3.5	8.5
Motel restaurants	1,655,546	1,952,538	2,112,646	8.2	3.3	8.5
Total lodging places	$ 8,632,526	$ 10,178,866	$ 11,058,028	8.6%	3.7%	8.6%
Retail host restaurants[3]	$ 3,955,769	$ 4,583,929	$ 4,973,563	8.5%	3.6%	7.9%
Recreation & sports[4]	1,659,459	1,898,139	2,040,499	7.5	2.6	7.1
Mobile caterers	500,353	573,374	618,670	7.9	3.0	7.3
Vending & non-store retailers[5]	2,674,249	3,075,831	3,324,973	8.1	3.2	7.5
TOTAL GROUP I	**$118,214,833**	**$141,395,494**	**$153,478,520**	**8.4%**	**3.4%**	**8.8%**
GROUP II—Institutional Feeding—Business, Educational, Government or Institutional Organizations Which Operate Their Own Foodservice						
Employee feeding[6]	$ 1,733,223	$ 1,956,521	$ 2,091,521	6.9%	2.0%	6.5%
Public & parochial elementary, secondary schools	2,464,112	2,526,099	2,637,247	4.4	–0.5	2.3
Colleges & universities	2,783,452	3,303,679	3,558,062	7.7	–0.3	8.5
Transportation	671,864	815,012	898,143	10.2	5.3	10.2
Hospitals[7]	7,641,436	8,505,041	9,049,363	6.4	1.5	5.8
Nursing homes, homes for aged, blind, orphans, mentally & physically handicapped[8]	2,704,629	3,024,489	3,224,105	6.6	1.7	6.0
Clubs, sporting & recreational camps	1,390,580	1,615,970	1,745,248	8.0	3.1	7.9
Community centers	344,023	348,336	362,618	4.1	–0.8	1.8
TOTAL GROUP II	**$ 19,733,319**	**$ 22,095,147**	**$ 23,566,307**	**6.6%**	**1.3%**	**6.1%**
TOTAL GROUP I & II	**$138,040,152**	**$163,631,641**	**$177,044,827**	**8.2%**	**3.2%**	**8.4%**
GROUP III—Military feeding[9]						
Officers & NCO Clubs ("Open Mess")	$ 471,367	$ 557,464	$ 605,963	8.7%	3.8%	8.7%
Foodservice—military exchanges	242,793	278,233	298,822	7.4	2.5	7.2
TOTAL GROUP III	**$ 714,160**	**$ 835,697**	**$ 904,785**	**8.3%**	**3.4%**	**8.2%**
GRAND TOTAL	**$138,682,312**	**$164,327,338**	**$177,949,612**	**8.2%**	**3.2%**	**8.4%**

Footnotes:

1. Data are given only for establishments with payroll.
2. Food and drink sales for nonpayroll establishments totaled $2,769,837,000 in 1982.
3. Includes drug and proprietary store restaurants, general merchandise store restaurants, variety store restaurants, food store restaurants, grocery store restaurants, gasoline service station restaurants and miscellaneous retailers.
4. Includes drive-in movies, bowling lanes, recreation and sport centers.
5. Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages.
6. Includes industrial and commercial organizations, seagoing and inland waterway vessels.
7. Includes voluntary and proprietary hospitals, long-term general, TB, mental hospitals; and sales or commercial equivalent to employees in state and local short-term hospitals and federal hospitals.
8. Sales (commercial equivalent) calculated for nursing homes and homes for aged only. All others in this grouping make no charge for food served either in cash or in kind.
9. Continental U.S. only.

advance, but the gains will be down somewhat from 1984 due to the slowdown in economic growth. In addition, many major corporations are continuing to pay close attention to costs in order to maintain or improve profit margins. As a result, they are putting increased pressure on contractors to provide foodservice at a set price. Contractors, in turn, are doing everything possible to hold down costs and are looking for ways to expand the office contract business, such as instituting take out dinner service.

Food contractor sales at *manufacturing and industrial plants* should climb 7.4 percent to $2.8 billion, with a 2.5 percent gain in real sales. This is due primarily to the projected 2.0 percent increase in manufacturing employment.

Institutional foodservice sales in the employee feeding category, which includes *industrial and commercial organizations, sea-going ships and inland waterway vessels,* are forecast to rise 6.9 percent to $2.1 billion in 1985. In real dollars this is an advance of 2.0 percent. Contractors continue to make significant in-roads into employee feeding, especially into penetration of the office segment.

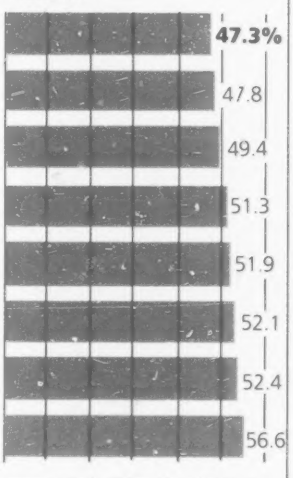
Educational feeding sales predicted to advance 6.6 percent . . .

Foodservice sales for the educational feeding category are predicted to advance 6.6 percent in 1985 to $8.8 billion. Real sales, however, are anticipated to fall 0.2 percent, due to declining enrollment in the nation's schools. Enrollment in colleges and universities is expected to decline 0.4 percent in 1985, while primary and secondary school enrollment should drop 0.5 percent.

Contractor food and drink sales at *colleges and universities* should increase 8.3 percent in 1985. This is a gain of 0.3 percent after adjusting for inflation. This slight gain can be attributed to the increasing number of students who choose to live on campus and utilize the dining facilities. *Colleges and universities* that operate their own foodservice program are projected to post sales of $3.6 billion. This represents a 7.7 percent gain over 1984.

Contractor sales at *primary and secondary schools* are expected to grow 5.4 percent in 1985, an increase of 0.5 percent in real dollars. Institutional sales are forecast to advance a lower 4.4 percent to $2.6 billion.

Who's most apt to try more ethnic dishes?



*Percent saying they would definitely try more ethnic dishes if available at restaurants.

Source: National Restaurant Association

Transportation feeding sales predicted to reach $1.6 billion . . .

Food and drink sales in the transportation feeding category are predicted to reach $1.6 billion in 1985, a gain of 10.5 percent over 1984. After adjusting for inflation, sales will rise a hefty 5.6 percent. *In-transit feeding (airlines)* sales are anticipated to record the strongest gains in both this segment and the industry next year—up 10.8 percent in nominal dollars and 5.9 percent in real dollars. Fueling this strong increase will be a six percent rate of growth in airline traffic—a result of expanded passenger capacity as well as greater promotion of discount air fares.

Institutional transportation feeding sales, which include sales on *airlines, passenger/cargo liners and railroads,* are projected to rise 10.2 percent in 1985. After adjusting for inflation, the gain is a significant 5.3 percent. Heavier emphasis on marketing as well as discount pricing will be the primary factors contributing to this growth.

Recreational feeding sales expected to increase 7.8 percent . . .

Foodservice sales in the recreational feeding category are expected to increase 7.8 percent in 1985, with real sales rising 2.9 percent. Total sales for this industry segment should reach $5.1 billion. This forecast is based on the premise that fewer Americans will be traveling abroad in 1985. Instead, they will opt to spend their vacation and leisure time visiting amusement parks in the U.S. and attending sports events. In 1984, many Americans took advantage of the strong U.S. dollar and traveled to other countries, causing attendance and sales at recreation and sporting events to drop.

Food and drink sales by contractors at *recreation and sports centers* are expected to climb 8.0 percent to $1.3 billion. Real sales should be up 3.1 percent. Attendance at theme parks is expected to improve somewhat in 1985, and better foodservice offerings, which increase per person expenditures, will help boost sales.

Non-contractor food and drink sales at *recreation and sports centers,* which include *drive-in movies, bowling lanes and recreation and sports centers,* should climb 7.5 percent to $2.0 billion. Real sales are expected to advance 2.6 percent.

Food and drink sales at *clubs, sporting and recreation camps* are predicted to total $1.7 billion in 1985. This is a gain of 8.0 percent from 1984. Clubs especially will see improved sales as more businesses use them for meetings and conferences. However, this could change if Congress changes the tax laws regarding the deductability of club expenses. Sports and recreation camps will experience few changes as their market has now stabilized.

Health care feeding sales estimated to total $13.6 billion . . .

Food and drink sales at health care facilities are estimated to total $13.6 billion in 1985—up 6.8 percent from 1984. In inflation-ad-

justed dollars this represents an increase of 1.9 percent. Foodservice sales by contractors in *hospitals and nursing homes* will post the strongest advance in this segment—rising 9.9 percent, with a 5.0 percent gain in real dollars. Foodservice sales at nursing homes are a major factor in this segment's growth. The occupancy rate is high, and there is a constant demand to add even more beds because of the increasing numbers of senior citizens.

Hospitals that operate their own foodservice operations will post sales of more than $9.0 billion in 1985, a gain of 6.4 percent in nominal dollars and a 1.5 percent rate of growth in real dollars. However, occupancy rates are slipping as there is great pressure for hospitals to reduce the number of days for the average stay because of changes in the Medicare payment system. This indicates a possible slowdown in the growth rate for this segment of the industry.

Nursing homes that operate their own foodservice operations should record sales of $3.2 billion—up 6.6 percent over the prior year.

Retail hosts sales projected to rise 8.5 percent . . .

Sales for *retail hosts*, which include foodservice operations in drugstores, department stores and convenience and grocery stores, are projected to advance 8.5 percent in 1985, considerably above the compound annual rate of growth of 7.9 percent between 1982 and 1985. Total sales should amount to almost $5.0 billion, with real sales advancing 3.6 percent. Retail sales are expected to be relatively strong in 1985, and this should boost foodservice sales at various retail outlets. In addition, the convenience and grocery store segments are continuing to increase their take out offerings to capitalize on the strong consumer desire for convenience.

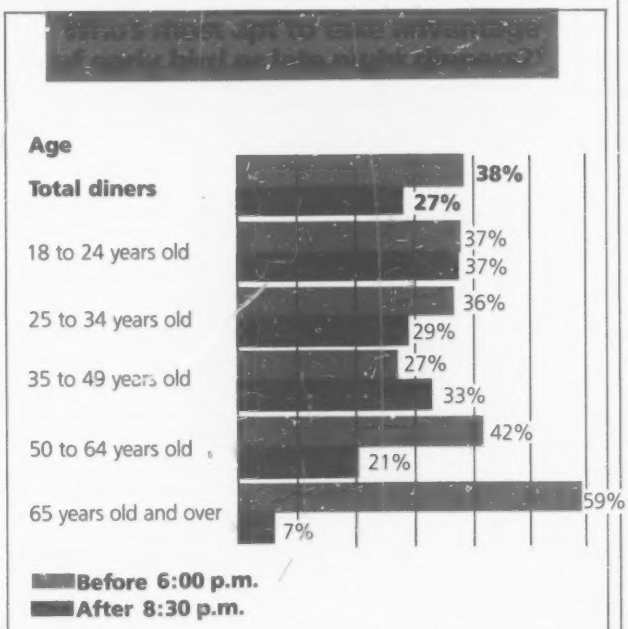
Vending and non-store retailer sales should total $3.3 billion . . .

Food and drink sales for *vending and non-store retailers* are projected to total $3.3 billion next year—up 8.1 percent over 1984. Real sales in 1985 are forecast to increase a healthy 3.2 percent. Contributing to sales growth in this category will be the spread of vending machines into non-traditional segments as well as increased employment in factories, where these machines already exist.

Foodservice sales by *mobile caterers* will advance 7.9 percent in current dollars and 3.0 percent in real dollars. Total sales for this segment of the industry should reach $619 million in 1985. The relative strength of the construction industry, the continued growth of manufacturing employment and increased attendance at recreation and sports events will contribute to higher food and drink sales for this segment.

Community centers sales to post gain of only 4.1 percent . . .

Food and drink sales at *community centers* should post a gain of only 4.1 percent to $363 million in 1985. However, real sales are forecast to decline 0.8 percent from 1984's level. The low rate of sales growth is a result of funding cuts for public and community projects.



*Percent saying they were very likely to take advantage of a 10 percent discount during these periods.

Source: Gallup Monthly Report

Military feeding sales to record 8.3 percent increase . . .

Sales for the Military Feeding Group will advance 8.3 percent in 1985. Total sales should reach $905 million, with real sales climbing 3.4 percent. The increase in food and drink sales for this segment is due to continued efforts on the part of the military to upgrade its foodservice.

Officer and NCO clubs will have sales of approximately $606 million in 1985—up 8.7 percent from the prior year.

Military exchange food and drink sales should rise 7.4 percent above a year earlier. This represents a 2.5 percent increase in real dollars. However, as fast food restaurants move onto military bases, military exchange sales could drop because such sales would be included in the eating place sector under limited menu restaurants.

Facing the challenge of the future . . .

The industry faces a positive but challenging environment. 1985 marks the fifth consecutive year of real sales gains, and indications are that this trend will continue.

The economy is expected to remain healthy through the rest of the decade with continuing low inflation and unemployment rates. Although some economists are forecasting a mild recession during 1986, the long-range economic picture remains bright.

Demographic and lifestyle trends will also favor the restaurant industry. For instance, research shows that some of the fastest growing demographic groups, such as the baby boomers, working women and singles, tend to eat out frequently and spend more on eating away from home than do other groups. This suggests the industry will continue to have an ample customer base in 1985 and during the rest of the decade.

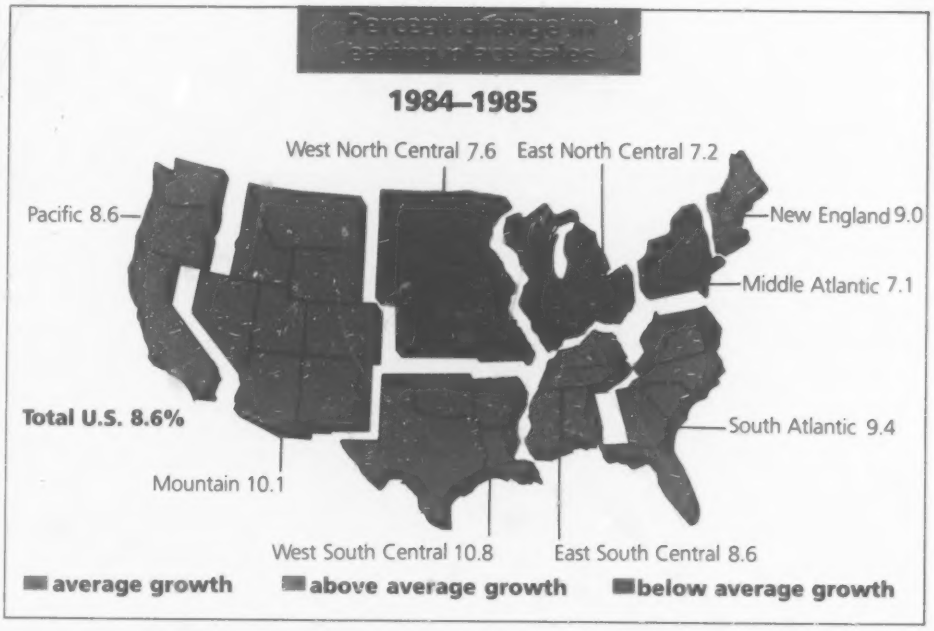
Although the future looks bright for the foodservice industry, restaurateurs will have to continually adapt to a changing environment to ensure success. Restaurateurs who focus on their patrons' evolving needs and remain flexible in today's competitive and variable market should remain successful through the 1980s.

Part III

Regional and state-by-state forecast

For the fifth consecutive year, the National Restaurant Association has forecast eating place sales for each of the 50 states and the District of Columbia. Restaurant operators can use this data to compare their sales performance with the average for their state or region and to plan for the year ahead.

Eating place sales performance differs from state-to-state and region-to-region depending, to a great extent, on the economic situation in the area. Varying rates of income, population and employment growth all affect restaurant sales.



Regional highlights . . .

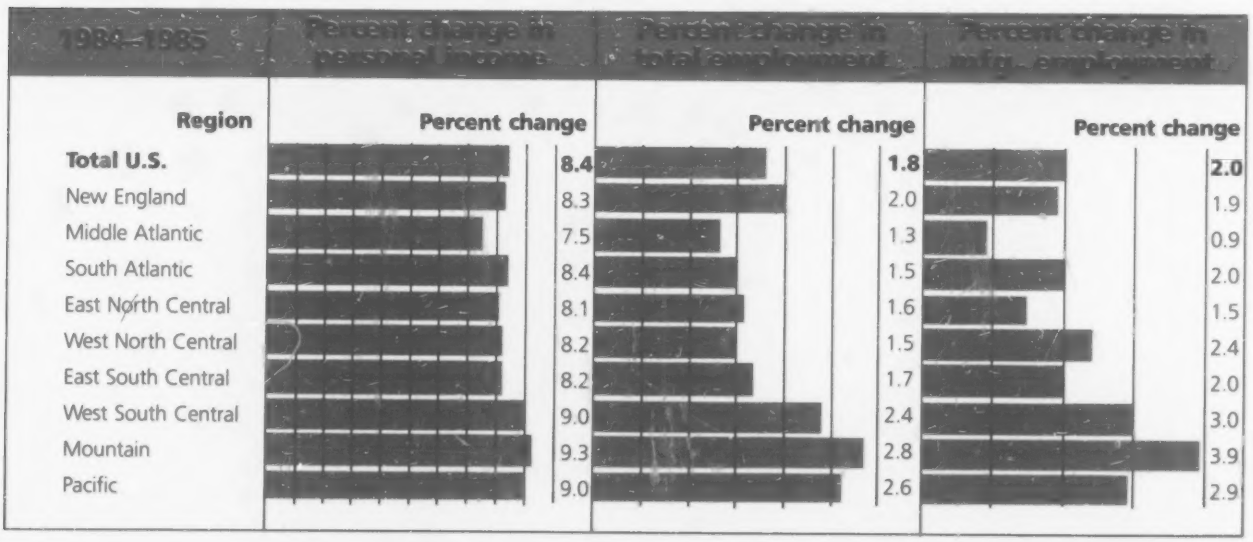
• The West South Central region will post the strongest gain in eating place sales in 1985—up 10.8 percent over the prior year. The Mountain region follows with a 10.1 percent advance.

• The Middle Atlantic and East North Central regions will record the smallest sales increases—7.1 percent and 7.2 percent, respectively.

• The Pacific region continues to rank number one in terms of total restaurant sales, with sales of $23.4 billion predicted in 1985. The East North Central region ranks second with sales of $21.4 billion.

• Alaska will have the largest percentage increase in sales in 1985—up 11.3 percent—closely followed by Texas with an 11.2 percent gain and Oklahoma and Colorado each with 11.0 percent advances.

• California ranks first in total restaurant sales—$17.4 billion—followed by Texas ($8.9 billion) and New York ($8.2 billion).


1984–1985
Percent change in personal income
Percent change in total employment
Percent change in mfg. employment
Region
Percent change
Percent change
Percent change
Total U.S. 8.4 1.8 2.0
New England 8.3 2.0 1.9
Middle Atlantic 7.5 1.3 0.9
South Atlantic 8.4 1.5 2.0
East North Central 8.1 1.6 1.5
West North Central 8.2 1.5 2.4
East South Central 8.2 1.7 2.0
West South Central 9.0 2.4 3.0
Mountain 9.3 2.8 3.9
Pacific 9.0 2.6 2.9

Major industries

- High technology
- Defense
- Textiles and apparel
- Manufacturing

Outlook

- The further expansion of high technology industries in the region should benefit the area's economy.
- Textile exports from the region will continue to be hampered by the strong dollar.
- Increased defense spending will contribute to the growth of defense related industries.
- Employment gains will outpace the U.S. average, and personal income should increase at approximately the same pace as the total U.S.
- *Eating place sales* are projected to advance 9.0 percent to $7.2 billion in 1985, slightly above the national average.

Outlook for New England states

Connecticut

- Employment in manufacturing industries is projected to advance a slight 1.5 percent in 1985.
- Personal income and population should increase at levels somewhat below the rest of the region.
- *Eating place sales* are expected to total $1.7 billion, a gain of 9.0 percent, approximating the regional average.

Maine

- The tourism industry will be hindered somewhat by the weak Canadian dollar, keeping many Canadians home who would ordinarily travel to this state.
- Employment and personal income should increase at a slower pace than the regional average.
- *Eating place sales* will record the slowest growth rate in the region in 1985—8.0 percent.

Massachusetts

- The state's growing electronics industry will give the economy a boost.
- Personal income should rise a substantial 9.3 percent in 1985, the largest advance in the region.
- *Eating place sales* are forecast to total $3.6 billion, up a hefty 9.4 percent.

New Hampshire

- The state's lumber industry will benefit from improved demand for housing and construction.
- Personal income, employment and population are expected to advance at better than average rates.
- *Eating place sales* are projected to equal $560 million in 1985.

Rhode Island

- The jewelry and silverware industries will enjoy a profitable year in 1985 due to increased consumer demand for these products.
- Personal income is expected to advance 8.5 percent in 1985—somewhat faster than the regional.
- *Eating place sales* should equal $482 million in 1985, up 8.3 percent over 1984.

Vermont

- Manufacturing employment and population should increase at a faster pace than the region as a whole.
- Personal income is anticipated to rise 8.3 percent, mirroring the region.
- *Eating place sales* are forecast to climb an impressive 9.6 percent, outpacing the regional and national averages.

Eating place sales ($000)

	1984	1985	Percent change
Connecticut	$1,565,874	$1,706,803	9.0%
Maine	501,847	541,995	8.0
Massachusetts	3,315,124	3,625,088	9.4
New Hampshire	516,334	560,222	8.5
Rhode Island	444,871	481,795	8.3
Vermont	250,276	274,302	9.6
Total region	**$6,594,326**	**$7,190,205**	**9.0%**

Eating place sales ($000)

	1984	1985	Percent change
New Jersey	$ 3,159,830	$ 3,384,178	7.1%
New York	7,683,169	8,220,991	7.0
Pennsylvania	4,596,223	4,927,151	7.2
Total region	**$15,439,222**	**$16,532,320**	**7.1%**

Major industries

- Steel
- Finance
- Service

Outlook

- The area is forecast to experience the slowest employment and personal income growth in the nation.
- The upturn in automobile production should provide a boost to the ailing steel industry, however.
- The financial segment will continue to profit from upbeat economic conditions.
- *Eating place sales* are predicted to increase at the slowest rate in the country, 7.1 percent.

Outlook for Middle Atlantic states

New Jersey

- High-tech industries are expected to continue to expand, benefiting the state's economy.
- Personal income is predicted to increase 7.6 percent, somewhat higher than the regional average.
- *Eating place sales* will total $3.4 billion, up 7.1 percent from 1984's $3.2 billion.

New York

- Financial and high technology industries will expand.
- Population, employment and personal income are forecast to increase at the slowest rates in the region.
- *Eating place sales* in 1985 are predicted to reach $8.2 billion, up 7.0 percent from the prior year.

Pennsylvania

- Improved outlook for the automobile and steel industries will help boost the state's economy.
- Employment, population and personal income will rise at a pace above the regional averages.
- *Eating place sales* are projected to increase at the highest rate in the region—7.2 percent.

Major industries

- Furniture
- Steel
- High technology
- Tourism
- Textiles and apparel

Outlook

- Increasing numbers of high technology firms in the area will benefit the economy.
- Rising levels of consumer confidence and spending should help the furniture and automobile industries.
- Textile exports are expected to have stiff competition in foreign markets, primarily a result of the strong U.S. dollar.
- Personal income and manufacturing employment

gains should approximate the national averages.

• *Eating place sales* are predicted to advance 9.4 percent, well above the expected U.S. level and sales should reach $20.6 billion.

Outlook for South Atlantic states

Delaware

• Gains in employment, population and personal income are expected to be below that for the region and the nation.

• *Eating place sales* are projected to rise 8.2 percent—considerably below the regional and national averages.

District of Columbia

• The population level is expected to fall in 1985, while the number of persons employed is projected to advance slightly.

• Personal income should rise at one of the fastest paces in the nation—9.5 percent.

• *Eating place sales* are forecast to total $580 million in 1985, up from $543 million in 1984.

Florida

• The increasing number of high technology firms as well as the revived housing industry are expected to contribute to the state's economy.

• Traffic at theme and amusement parks in the state should be up slightly.

• Population, employment and personal income will increase well above the regional average.

• *Eating place sales* should record a significant advance—10.3 percent to $7.0 billion—the strongest gain in the region.

Georgia

• Lumber related industries should benefit from improved housing demand and consumer demand for durable goods such as furniture.

• Personal income and employment gains should approximate or be slightly higher than the regional averages.

• *Eating place sales* are projected to jump an impressive 9.7 percent to $2.9 billion.

South Atlantic region

Eating place sales ($000)

	1984	1985	Percent change
Delaware	$ 302,896	$ 327,733	8.2%
District of Columbia	543,452	580,407	6.8
Florida	6,347,592	7,001,394	10.3
Georgia	2,628,424	2,882,330	9.7
Maryland	2,030,299	2,176,480	7.2
North Carolina	2,559,872	2,815,859	10.0
South Carolina	1,268,744	1,398,156	10.2
Virginia	2,524,547	2,754,281	9.1
West Virginia	617,838	666,647	7.9
Total region	**$18,823,664**	**$20,603,287**	**9.4%**

East North Central region

Eating place sales ($000)

	1984	1985	Percent change
Illinois	$ 5,694,326	$ 6,075,856	6.7%
Indiana	2,629,283	2,830,686	7.7
Michigan	4,186,034	4,493,707	7.4
Ohio	5,201,912	5,573,849	7.2
Wisconsin	2,287,372	2,460,068	7.6
Total region	**$19,998,927**	**$21,434,166**	**7.2%**

Maryland

• The number of people employed in the state is expected to increase at a faster pace than the region as a whole. On the other hand, income gains will be slightly below the average for the area because the state still suffers from high unemployment in the manufacturing sector.

• *Eating place sales* are expected to reach $2.2 billion—up 7.2 percent from 1984.

North Carolina

• Textile exports may be down due to increased foreign competition and the strong dollar.

• Improved housing demand and continued consumer purchases of furniture should benefit the state's household goods industries.

• Population, employment and personal income should all increase at a faster pace than the region and nation.

• *Eating place sales* are projected to advance 10.0 percent in 1985, well above the regional and national averages of 9.4 percent and 8.6 percent, respectively.

South Carolina

• Employment growth should advance 2.1 percent, considerably higher than the 1.5 percent regional average.

• Personal income and population will also increase at a faster pace than the region as a whole.

• *Eating place sales* are expected to total $1.4 billion in 1985, a gain of 10.2 percent over 1984.

Virginia

• The furniture industry should benefit from consumer demand for durable goods.

• Personal income, employment and population increases will approximate the regional averages.

• *Eating place sales* are expected to climb 9.1 percent—somewhat below the regional average of 9.4 percent.

West Virginia

• The weak coal mining industry will continue to hinder the state's economy.

• Slight gains in population, employment and income levels are expected, but the rate of increases will be below the regional averages.

• *Eating place sales* are forecast to increase 7.9 percent to $667 million in 1985.

Outlook for East North Central region

Major industries

• Automobile
• Steel
• Rubber
• Agriculture

Outlook

• With the automobile industry on the mend, the steel and rubber industries should see some improvement.

• Agricultural industries will continue to experience slow growth.

• Personal income, population and employment will increase at a slower pace than the national average.

• *Eating place sales* are projected to reach $21.4 billion in 1985, an advance of 7.2 percent.

Outlook for East North Central states

Illinois

• The greatest proportion of the region's eating place sales—28 percent—will be in this state.

• Personal income and employment growth will be the slowest in the region.

• *Eating place sales* are forecast to increase only 6.7 percent, versus a 7.2 percent gain for the region.

Indiana

• The improved outlook for the auto industry and agriculture should benefit the state.

• Manufacturing employment is expected to rise 1.5 percent, similar to the regional gain.

• Personal income will increase 8.2 percent—slightly above the regional average.

• *Eating place sales* should record a gain of 7.7 percent in 1985, the largest increase in the region.

Michigan

• The revived auto industry will boost the area's economy.

• Manufacturing employment and personal income should advance slightly faster than the regional averages.

• *Eating place sales* are predicted to total $4.5 billion in 1985—up 7.4 percent from 1984.

Ohio

• The rubber industry will benefit slightly from increased automobile production.

• Manufacturing employment, population and personal income gains should advance at a somewhat slower pace than the region as a whole.

• *Eating place sales* are expected to advance 7.2 percent in 1985 to $5.6 billion.

Wisconsin

• The agricultural industry should post moderate gains in 1985.

• The state will record the largest increases in population, personal income and manufacturing employment in the region.

• *Eating place sales* are forecast to total $2.5 billion, a 7.6 percent advance.

Outlook for West North Central region

Major industries

• Agriculture
• Farming equipment
• Fertilizers

Outlook

• Agricultural industries are expected to grow at a slow pace.

West North Central region

Eating place sales ($000)

	1984	1985	Percent change
Iowa	$1,204,284	$1,282,562	6.5%
Kansas	1,119,055	1,208,579	8.0
Minnesota	1,994,826	2,156,407	8.1
Missouri	2,300,793	2,473,352	7.5
Nebraska	731,526	784,196	7.2
North Dakota	302,575	329,202	8.8
South Dakota	290,392	310,429	6.9
Total region	**$7,943,451**	**$8,544,727**	**7.6%**

East South Central region

Eating place sales ($000)

	1984	1985	Percent change
Alabama	$1,273,558	$1,375,443	8.0%
Kentucky	1,491,477	1,619,744	8.6
Mississippi	711,892	773,115	8.6
Tennessee	2,004,625	2,185,041	9.0
Total region	**$5,481,552**	**$5,953,343**	**8.6%**

• Both population and personal income will grow at rates below the national level. However, manufacturing employment is projected to rise 2.4 percent, slightly above the national level.

• *Eating place sales* will advance at a rate of 7.6 percent to $8.5 billion in 1985.

Outlook for West North Central states

Iowa

• Despite bumper wheat and corn crops, farmers are not expected to see much economic improvement in 1985.

• Manufacturing employment, population and personal income increases should mirror the regional averages.

• *Eating place sales* are predicted to reach $1.3 billion, a gain of 6.5 percent—the lowest expected advance for any state in the region.

Kansas

• Manufacturing employment is expected to increase 3.8 percent, considerably higher than the region's 2.4 percent average.

• Population and personal income gains will be above the regional averages.

• *Eating place sales* will advance 8.0 percent—somewhat faster than the regional average of 7.6 percent.

Minnesota

• High-tech industries within the state are expected to do well in 1985.

• Population, personal income and employment will record better than average gains.

• Eating place sales are projected to total $2.2 billion, a gain of 8.1 percent.

Missouri

• Manufacturing employment should advance 1.5 percent in 1985.

• *Eating place sales* are expected to advance 7.5 percent versus a 7.6 percent gain for the region.

Nebraska

• Population, employment and income growth should lag behind the rest of the region.

• *Eating place sales* are forecast to advance 7.2 percent to $784 million in 1985.

North Dakota

• Manufacturing employment will rise 3.9 percent, the strongest gain in the region.

• Personal income, however, should advance more slowly than the regional average, 7.9 percent versus 8.2 percent.

• *Eating place sales* are projected to rise 8.8 percent to $329 million, the strongest advance in the region.

South Dakota

• Although population is expected to decline slightly in 1985, a significant gain in the rate of manufacturing employment is forecast.

• *Eating place sales* are expected to record a 6.9 percent advance, well below the regional average.

Outlook for East South Central region

Major industries

• Textiles
• Household appliances
• Apparel
• Auto parts

Outlook

• Growth in construction and automobile industries will help the region's recovery.

• The strong dollar may continue to impede the textile industry's ability to compete in the world market.

• Personal income, population and employment growth should mirror the national averages.

• *Eating place sales* are forecast to increase 8.6 percent to $6.0 billion.

Outlook for East South Central states

Alabama

• Due to the revival of the lumber and automobile parts industries, the state's economy will improve in 1985.

• Population and employment are projected to grow

at levels above the national averages.

• *Eating place sales* should advance 8.0 percent in 1985 to $1.4 billion.

Kentucky

• Personal income, employment and population will rise more slowly than the regional averages.

• *Eating place sales* will reach $1.6 billion, an advance of 8.6 percent.

Mississippi

• Manufacturing employment is expected to rise 2.2 percent in 1985.

• Personal income will increase at a slightly lower rate than the rest of the region—8.0 percent.

• *Eating place sales* are projected to advance 8.6 percent, approximating regional and national averages.

Tennessee

• Many of the state's automobile and housing related industries should fare well in 1985.

• Population, personal income and employment growth are expected to outpace regional averages.

• *Eating place sales* are predicted to reach $2.2 billion, climbing 9.0 percent.

Eating place sales ($000)

	1984	1985	Percent change
Arkansas	$ 755,298	$ 817,988	8.3%
Louisiana	1,855,246	2,044,481	10.2
Oklahoma	1,596,649	1,772,280	11.0
Texas	7,984,506	8,876,996	11.2
Total region	**$12,191,699**	**$13,511,745**	**10.8%**

Eating place sales ($000)

	1984	1985	Percent change
Arizona	$1,575,777	$1,744,385	10.7%
Colorado	2,054,231	2,280,196	11.0
Idaho	410,750	443,199	7.9
Montana	408,756	439,821	7.6
Nevada	562,295	615,713	9.5
New Mexico	703,502	777,370	10.5
Utah	624,784	676,106	8.2
Wyoming	294,036	325,498	10.7
Total region	**$6,634,131**	**$7,302,288**	**10.1%**

Major industries

• Oil and gas
• Finance
• Chemicals
• Service

Outlook

• Falling oil prices will continue to slow the growth of energy-related industries.

• Finance and service industries should experience continued expansion.

• Growth in population, employment and personal income should be among the strongest in the nation.

• *Eating place sales* are expected to post the most substantial growth in the nation—10.8 percent—and reach $13.5 billion.

Outlook for West South Central states

Arkansas

• An improved lumber industry should benefit the state's economy.

• Personal income, population and employment gains are expected to be lower than the regional averages.

• *Eating place sales* are projected to post an 8.3 percent gain, versus the regional average of 10.8 percent.

Louisiana

• Personal income is projected to rise 8.5 percent, and employment should increase 2.0 percent.

• *Eating place sales* are forecast to total $2.0 billion in 1985, a gain of 10.2 percent.

Oklahoma

• Slow gains in energy-related industries may hamper this state's growth.

• Personal income, employment and population advances should be slightly lower than those expected for the region.

• *Eating place sales* are projected to rise 11.0 percent in 1985 to $1.8 billion.

Texas

• Growing high technology and service industries should benefit the state. However, energy-related businesses will experience slow growth.

• Substantial gains in personal income, employment and population are expected and will help boost the state's economy.

• *Eating place sales* will reach $8.9 billion, up an impressive 11.2 percent over 1984.

Major industries

• Mining
• High technology
• Lumber/construction

Outlook

• Growth in the lumber and construction industries will profit region.

• High technology jobs will continue to contribute to the region's growth.

• Population, employment and personal income will post the strongest gains in the country.

• *Eating place sales* will experience substantial growth—10.1 percent—and total $7.3 billion.

Outlook for Mountain states

Arizona

• Continued growth for high technology industries will benefit this state.

• Employment is expected to advance 3.5 percent, and personal income should increase 9.8 percent—the strongest gains in the region.

• *Eating place sales* are projected to advance 10.7 percent to $1.7 billion in 1985.

Colorado

• Manufacturing employment is expected to rise 3.8 percent, and personal income should advance 9.5 percent.

• *Eating place sales* are forecast to advance 11.0 percent—the largest anticipated increase in the region.

Idaho

• The weak mining industry could hinder the state's economy.

• Population, personal income and employment are expected to grow more slowly than the regional averages.

• *Eating place sales* are predicted to advance 7.9 percent compared with the regional average of 10.1 percent.

Montana

• Employment, population and personal income are expected to advance at the slowest pace in the region.

• *Eating place sales* should advance only 7.6 percent—well below the regional average.

Nevada

• The state's stone, clay and glass industries will be on the upswing due to the healthy automobile and

housing industries.

• Manufacturing employment should rise at the fastest pace in the country—4.7 percent.

• Tourism will continue to grow and provide a boost to Nevada's economy.

• *Eating place sales* are projected to advance 9.5 percent to $616 million.

New Mexico

• Increased defense and aerospace expenditures should perk up the state's economy.

• Employment, personal income and population are forecast to increase more slowly than the region as a whole.

• *Eating place sales* are projected to reach $777 million, an advance of 10.5 percent.

Utah

• The upturn in automobile production will benefit the area's fabricated metals industry.

• Personal income and manufacturing employment growth should mirror the regional average.

• *Eating place sales* are expected to rise 8.2 percent, somewhat below the regional average.

Wyoming

• Personal income should increase 9.4 percent, outpacing the regional average.

• *Eating place sales* are forecast to advance a substantial 10.7 percent to $325 million.

Eating place sales ($000)

	1984	1985	Percent change
Alaska	$ 344,020	$ 382,894	11.3%
California	16,053,660	17,442,302	8.7
Hawaii	1,009,631	1,092,421	8.2
Oregon	1,517,277	1,638,659	8.0
Washington	2,584,606	2,804,298	8.5
Total region	**$21,509,194**	**$23,360,574**	**8.6%**

Major industries

- High technology
- Aerospace
- Lumber
- Tourism

Outlook

• Construction and lumber industries will continue to expand.

• The continued growth of high technology companies in the region will benefit the economy.

• Foreign tourism may suffer somewhat due to the strong dollar.

• Advances in population, employment and personal income should be among the strongest in the country.

• *Eating place sales* are expected to record the highest sales volume in the U.S.—$23.4 billion—an 8.6 percent increase.

Outlook for Pacific states

Alaska

• Employment, personal income and population should rise at the fastest rate in the region.

• *Eating place sales* are projected to advance an impressive 11.3 percent, outpacing regional and national averages.

California

• The continued growth of high technology firms will provide a boost to the state's economy.

• Personal income and employment increases are expected to mirror the regional averages.

• *Eating place sales* should increase 8.7 percent, slightly faster than the regional average.

Hawaii

• Tourism may be hurt somewhat because the strong U.S. dollar makes travel unfavorable for foreigners.

• Employment, population and personal income are expected to advance at slightly lower than average levels.

• *Eating place sales* should grow 8.2 percent—somewhat below the regional average.

Oregon

• A major effort to attract more high technology firms will boost the state's economy.

• Personal income growth should approximate the regional average of 9.0 percent.

• *Eating place sales* are forecast to reach $1.6 billion—an 8.0 percent advance.

Washington

• Due to increased defense spending, the state's aerospace industry is booming.

• Employment gains should equal the regional average, and the advance in personal income is expected to be slightly higher than the average for the region.

• *Eating place sales* should advance 8.5 percent to $2.8 billion.

How the regional forecast was prepared

The economic and sales data for the states have been arranged according to the nine census regions. Included for each state are revised eating place sales for 1984, projected 1985 sales figures and information on personal income and employment data. Much of the economic data in this report is based on information obtained from such sources as the Bureau of Economic Analysis, National Planning Association and the Conference Board.

The estimates for eating place sales used here were prepared in consultation with the research firm Malcolm M. Knapp, Inc. State-by-state historical eating place sales trends between 1972, 1977 and 1982 form the basis for these projections. Special attention was paid to growth trends between 1977 and 1982 for refreshment places (fast food) and restaurants and lunchrooms for each state. These sales figures were then modified to reflect current and projected income and population data.

A few reminders

Here are a few things to keep in mind when using the regional sales figures in this report.

• Adjustments were made to arrive at a predetermined U.S. total.

• Sales projections for 1985 are based on the best available data in September 1984. If the outlook for general economic conditions or the food situation changes significantly in 1985, these projections will require adjustment.

• Sales figures for each state are subject to greater error than the national projections.

• *The actual sales figures are a better indication than percent changes of the size of the restaurant industry in respective states.* Actual sales figures represent an overall allocation of total sales in the U.S., while percent changes are subject to more variation. Percent changes have been shown here as a convenience to our readers.

• The sales information for states and regions are for all establishments. They represent the U.S. Census definition of eating places (SIC Code 5812) and include figures for operations with payroll and without payroll as well as contract feeding. As a result, the sales figures for states and regions will not equal the total for eating places shown on page 24.

• Regional projections were not done separately, and, as a result, regional totals are sums of state data.

Part IV

Food and drink purchases projected to reach $72 billion in 1985

Food and drink purchases for the foodservice industry are forecast to reach $72 billion in 1985. Other highlights:

- Purchases in the Commercial Feeding Group, which account for nearly 72 percent of the total amount spent, are estimated to total $51.6 billion next year.
- Eating places, the largest component of the Commercial Feeding Group, are projected to record food and drink purchases of $39.8 billion in 1985.
- Food contractors, which comprise the largest component of the commercial segment in terms of amount of dollars spent, are forecast to post 1985 purchases of $3.9 billion.
- Purchases for the Institutional Feeding Group, which account for almost 19 percent of total industry food and drink purchases, should equal $13.4 billion in 1985.
- Hospitals, the largest food and drink purchaser in the institutional segment, will record purchases of $4.1 billion in 1985.
- Food and drink purchases that will be provided to foodservice employees in both the Commercial and Institutional Feeding Groups are forecast to reach $4.7 billion next year.
- Purchases in the Military Feeding Group are expected to reach $2.3 billion, with defense personnel accounting for the largest share—almost $2.0 billion.

The foodservice industry—food and drink purchases projected to 1985*

Estimated food and drink purchases ($000)

Group I—Commercial feeding [1]	
Eating places	
Restaurants, lunchrooms	$21,484,610
Limited menu restaurants	16,251,214
Commercial cafeterias	1,115,385
Social caterers	349,580
Ice cream, frozen custard stands	606,778
Total—eating places	*$39,807,567*
Bars and taverns	$ 496,436[2]
Total—eating and drinking places	*$40,304,003*
Food contractors	
Manufacturing and industrial plants	$ 1,265,433
Commercial and office buildings	402,759
Hospitals and nursing homes	524,643
Colleges and universities	584,628
Primary and secondary schools	320,914
In-transit feeding (airlines)[3]	354,554
Recreation and sports centers	472,980
Total—food contractors	*$ 3,925,911*
Lodging places	
Hotel restaurants	$ 2,480,849
Motor hotel restaurants	430,378
Motel restaurants	712,743
Total—lodging places	*$ 3,623,970*
Other commercial	
Retail host restaurants	$ 1,701,884
Recreation and sports	716,501
Vending and non-store retailers	1,077,291
Mobile caterers	206,636
Total—other commercial	*$ 3,701,312*

Group II: Institutional feeding—Business, educational, government or institutional organizations that operate their own foodservice	
Employee feeding	$ 1,034,926
Public and parochial elementary and secondary schools	3,012,290
Colleges and universities	1,589,280
Transportation	459,256
Hospitals	4,073,118
Nursing homes; homes for aged, blind, orphans, mentally and physically handicapped	1,980,761
Clubs, sporting and recreational camps	838,888
Community centers	427,882
Food furnished foodservice employees (FSE) in Groups I and II	$ 4,744,201
GROUP III: Military feeding	
Defense personnel	$ 1,999,318
Officers and NCO clubs ("Open Mess")	221,782
Foodservice—military exchange	125,505

[1]Data are given only for establishments with payroll
[2]Food purchases only
[3]Food purchases only

**Purchases refer to expenditures by foodservice establishments for their food and drink supplies.*

Part V

Industry sales to reach $164.5 billion in 1984

NRA has updated its 1984 forecast to reflect the better than expected strength of the current economic expansion. In addition, lower menu price increases due to the moderate rate of inflation and modest advances in food prices also contributed to the need for revised projections. As a result, NRA expects the foodservice industry to realize stronger real growth. Rising personal incomes and strong consumer confidence in the economy at the present time and in the near future have also contributed to the brighter outlook.

Another reason for the revisions to the original 1984 forecast is that data from the recently released *1982 Census of Retail Trade* revealed that NRA's eating place sales estimates were somewhat low for 1982 and subsequent years and that our estimates for bars and taverns and retail hosts were slightly high.

Foodservice industry sales are now expected to reach $164.5 billion, an increase of 8.8 percent in current dollars and 4.2 percent in constant dollars. This is substantially higher than the original projection for total sales of $157 billion as reported in the December 1983 issue of ***NRA NEWS.***

Commercial feeding sales are now forecast to reach $141.6 billion in 1984, up 9.2 percent from 1983. Real sales for this group should climb about 4.8 percent compared with the 4.0 percent originally predicted. The Institutional Feeding Group will post sales of $22.1 billion, a gain of 6.0 percent over 1983 sales of $20.8 billion. Military Feeding Group sales should reach $836 million, an 8.1 percent increase.

Eating place sales should now total $103.4 billion as opposed to the original $96.7 billion prediction. In real dollars, the revised numbers show an advance of 5.3 percent, substantially higher than the 4.5 percent real dollar gain initially forecast.

Restaurant and lunchroom sales are expected to total $54.9 billion, well above the $49.9 billion first projected. In current dollars this is a gain of 9.1 percent. The revised real dollar advance equals 4.7 percent compared with the 3.9 percent real dollar gain originally forecast.

Limited menu (fast food) sales will reach record sales of $43.0 billion in 1984. Real sales in 1984 will post a 6.3 percent increase, up from the original prediction of 5.4 percent.

The NRA now expects menu prices to advance only 4.4 percent in 1984, well below the 5.3 percent original forecast. One reason for the smaller menu price increase has been the moderate rate of inflation. Also, the rate of increase in food prices has been declining in recent months after posting substantial advances in early 1984. As a result, foodservice operators have been able to keep menu price increases moderate.

Foodservice industry sales
1983–1984

Food and drink sales ($000)

	1983	1984	Percent change: Current dollars	Percent change: Constant dollars
Commercial Feeding Group	$129,649,457	$141,596,494	9.2%	4.8%
Eating places	$ 94,290,452	$103,436,626	9.7	5.3
Restaurants and lunchrooms	50,361,660	54,928,320	9.1	4.7
Limited menu restaurants	38,831,755	42,978,986	10.7	6.3
Commercial cafeterias	2,588,816	2,806,276	8.4	4.0
Social caterers	837,068	881,433	5.3	0.9
Ice cream, frozen custard stands	1,671,153	1,841,611	10.2	5.8
Bars and taverns	$ 8,336,977	$ 8,903,891	6.8	2.4
Total eating & drinking places	$102,627,429	$112,340,517	9.5	5.1
Institutional Feeding Group	$ 20,852,761	$ 22,095,147	6.0	1.0
Military Feeding Group	$ 772,865	$ 835,697	8.1	3.7
Total industry sales	**$151,275,083**	**$164,527,338**	**8.8%**	**4.2%**

Part VI

Economy affects consumer ability to eat out

The overall health of the economy has an effect on the ability of consumers to eat out as often as they want. This conclusion is based on results from an annual survey conducted each year in September by the Gallup Organization for the National Restaurant Association. As the economy has improved over the past several years, consumers have become more satisfied with their frequency of dining away from home. This has been especially true in 1984, when a robust economy, moderate inflation, rising real incomes and increased consumer confidence contributed to patrons' ability to eat out more often.

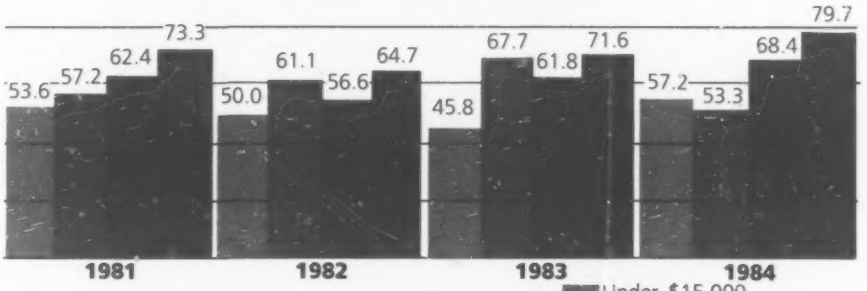
Majority feel they are eating out often enough . . .

Although the market for meals away from home is not yet saturated, increasing numbers of consumers are satisfied with the frequency they are eating out. In response to the question, "On a weekly basis are you eating out as often as you would like?" 67.2 percent said "yes" in the most recent survey—up five percentage points from 62.2 percent in the 1983 survey. This is the first significant increase in positive responses in the four years of the survey. The healthy U.S. economy and consumer confidence in their economic well being are the primary reasons for this improvement in satisfaction with frequency of dining away from home.

This increased satisfaction is noticeable in all demographic segments. For all

Proportion eating out often enough by income, 1981–1984

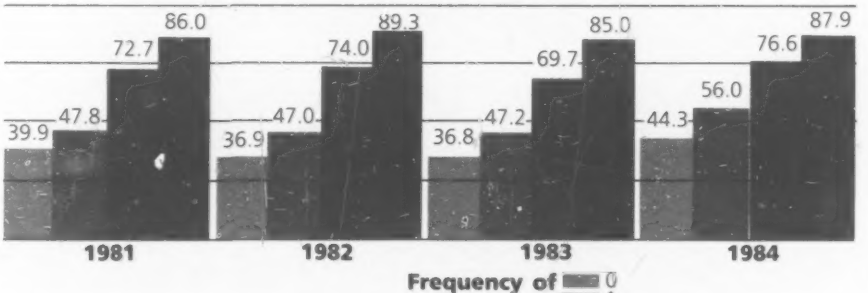
Percentage of respondents



Source: National Restaurant Association

Proportion eating out often enough by frequency of eating out, 1981–1984

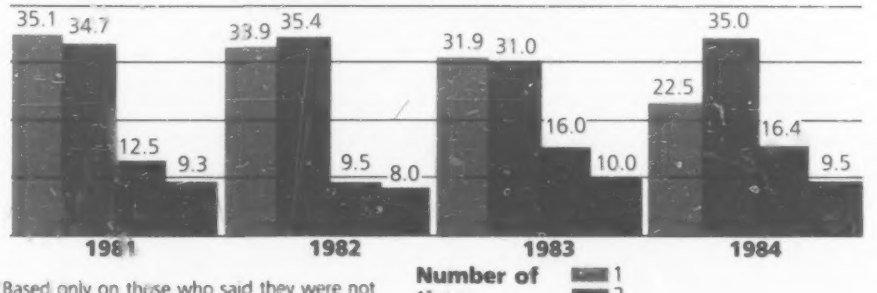
Percentage of respondents



Source: National Restaurant Association

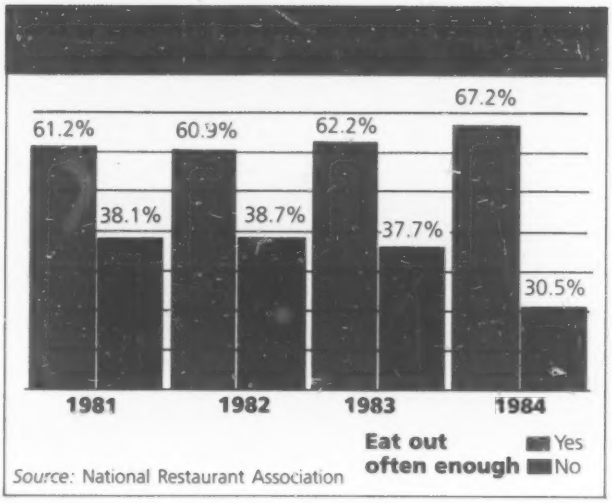
How frequently consumers would like to eat out

Percentage of respondents*



*Based only on those who said they were not eating out as often as they would like.

Source: National Restaurant Association.



Source: National Restaurant Association

groups, more than half said they were eating out as often as they wanted. Those who are most satisfied include:

- Men: 71.6 percent
- Those 50 to 64 years old: 71.6 percent
- Two person households: 74.3 percent
- Those with income over $30,000: 79.7 percent
- Women employed full-time: 68.9 percent
- Frequent restaurant patrons: 87.9 percent
- Westerners: 72.2 percent.

Another significant finding from this survey is that demographic groups that cut back on eating out during bad economic times tend to increase their frequency of eating out more rapidly when times are good. The most noticeable increases in satisfaction between 1984 and 1983 were posted for the following groups:

- Women: 63.1 percent versus 54.2 percent
- Households with 3 or 4 members: 65.1 percent versus 58.5 percent
- Non-employed women: 59.0 percent versus 49.5 percent
- Infrequent patrons (eat out once or less a week): 52.0 percent versus 43.9 percent
- Those with incomes under $15,000: 57.2 percent versus 45.8 percent.

Three out of 10 not eating out often enough . . .

Three out of 10 respondents to the recent Gallup/NRA survey reported they were not eating out as often as they would like. Although this is down considerably from 37.7 percent in 1983, it still indicates that the market for meals away from home is not saturated.

By asking those who said they were not eating out often enough to specify how many more times per week they would like to eat away from home, NRA was able to gain a better understanding of the potential market for meals away from home.

The majority of the un-satisfied group would like to eat out one (22.5 percent) or two (35.0 percent) times more a week. An additional 16.4 percent said they would do so three times a week. These proportions have shown some variation over the history of the survey, as shown in the accompanying chart. Interestingly, the proportion of those wanting to eat out only one additional time has dropped as the economy has improved—from 35.1 percent in 1981 to 22.5 percent in 1984. On the other hand, the proportion that wants to eat out three more times has increased—12.5 percent up to 16.4 percent.

Seven out of 10 would like to eat more dinners out . . .

Those respondents who indicated they would like to eat out more frequently were asked what meal they would like to eat out more often if they could. About seven out of 10 said they wanted to eat more dinners away from home versus only 12.3 percent who said lunch and 7.1 percent who said breakfast. This suggests that discretionary dining out, which primarily includes dinner, is the area where patrons want to increase their frequency of eating out.

With continuing economic growth, rising real incomes and consumer confidence in their economic well-being, more patrons will be able to find the means to satisfy their away from home dining desires.

—Cecelia Niepold
Susan Adelman
Bette Hoyt

How the NRA forecast was prepared

NRA's initial projections for 1985, revised projections for 1984 and estimates for 1982 are published here. Comparable historical sales data encompassing the entire period from 1970 through 1985 are being prepared and will be published in a new *Foodservice Sales Panorama* in June 1985.

NRA's annual foodservice industry forecast for 1985 includes both nominal and real percent changes in sales for all industry sectors. Real growth is calculated separately for each market segment. In the case of eating places, the projected percent increase in menu prices is subtracted from the percent increase in sales. For drinking places, it is necessary to make a special estimate of the inflation factor which is weighted more heavily toward alcoholic beverages.

For other industry sectors, such as colleges and universities where expenses are largely determined by food costs, a modification of the Producer Price Index for food is used. Modifications to this index are based on historical patterns for each industry sector. The food cost component thus constitutes the base percent increase, which is adjusted to reflect population changes and other pertinent factors, such as labor and overhead costs.

To arrive at real 1985 sales figures for the total foodservice industry as well as for the Commercial and Institutional Groups, current 1984 sales were multiplied by the respective 1985 real growth factors. The real sales figures for each of these sectors were then added and compared with 1984 sales to obtain overall real growth for the industry and the two major segments.

A word of caution . . .

A word of caution is necessary with all forecasts. Sales projections are based on the best data available in October 1984. If the outlook for general economic conditions or the food situation changes significantly in the coming year, NRA's projections will require adjustment. In addition, the performance of individual companies or sales in local market areas may differ substantially from the U.S. outlook.

COMPUTERS

shave time off inventory management

by Anne Papa

Taking inventory has traditionally been a time-consuming chore. While the advantages of a well controlled inventory cannot be argued, the actual procedure has been a tedious one. As one manager put it, "The last thing you want to do at the end of a long hard shift is sit down and count how many cans of beets are in your storeroom."

Computers are changing all that. Sophisticated combinations of point-of-sale (POS) cash register systems and back office computers are revolutionizing the inventory process. For example, detailed reports enable operators to determine how much of their food dollar is tied up in excess storage, how much is being thrown away, or otherwise unaccounted for, which items move slowly or are good sellers and the quantities of each item required for menu planning.

How the system works . . .

The beauty of a computerized inventory system is that it is able to compare *what is* to *what should be*, according to Dan Gimpel, president of Advanced Analytical Computer Systems of Tarzana, CA. Gimpel's company markets the RESCOP system—Restaurant Inventory Control and Cost Analysis Programs—to foodservice operators across the country. "A completely computerized inventory system actually involves two systems," explains Gimpel. "Both systems are computing the percentage of each dollar that is spent on food—your food costs. The difference is that one system gives your *ideal* food cost percentage, while the other gives your *actual* food cost percentage." By comparing the two, says Gimpel, the foodservice operator is able to determine whether or not an inventory control problem exists.

Although the front-of-the-house POS system plays an important role in the inventory process, it is the back office system which is, as Gimpel says, "the real workhorse." Basically, the back office computer functions as follows: All incoming inventory and sales are recorded into a running computer balance. This procedure is called a perpetual inventory because, at any time the restaurateur can identify how much inventory *should be* in the storeroom and how much *should have been used*. An over/short report is also generated for each item, based on sales and purchases. These projected figures represent the ideal—what should be if all controls are effectively in place.

However, the ideal is rarely found in the restaurant business due to human error (waste, over-portioning) and human indiscretion (pilferage, giveaways). As a result, a periodic physical inventory must be taken to determine *actual* inventory status and food cost percentage. The results of the periodic physical inventory are then compared to the results of the perpetual inventory. The wider the margin between these two results, the bigger the inventory control problem.

So isn't the operator or manager right back where he started, adding and subtracting cans in the storeroom for hours on end? Not quite, says Thomas Purdee, president of Applied Control Systems, Inc., in Chapel Hill, NC, which has developed a software package called FOOD$MANAGER/BAR$TENDER. According to Purdee, the computer does most of the physical inventory. Beginning inventory is stored, ending inventories are logged onto computerized checklists, and the quantity used and food cost percentage are calculated. The operator or manager must continue to count stock on hand, but the tedious processes of figuring and storing inventory results are assumed by the computer.

Just how perpetual and physical inventories work becomes clearer with a closer examination of these systems.

The perpetual inventory . . .

The perpetual inventory is based on a computer-generated sales mix, which provides a detailed account of each menu item by cost and by ingredients. By tracking raw inventory usage and sales of finished product, a sales mix identifies waste, over-portioning and pilferage and provides a profit analysis which projects ideal sales for the entire operation.

Stan Schroeder, owner of two Chicago for Ribs restaurants near Pasadena, CA, explains that in just under two years his system has helped decrease food costs from 52 percent of total sales to 33 percent. "One major reason for that decline is that now I know where everything goes. Every item in the restaurant is accounted for," says Schroeder, an absentee owner who runs both restaurants from his nearby corporate offices.

Not only does the software at Chicago for Ribs track each item sold, it also measures every ingredient that goes into each item. For instance, when a hamburger is served, six ounces of ground beef, one bun, lettuce and tomato garnishes are all individually deducted from inventory. Burnt, spoiled or otherwise unservable food is also recorded by employees and deducted.

"If a recipe calls for 25 pounds of cornmeal, 10 gallons of milk and 20 pounds of flour," says Schroeder, "and the amount of sugar, milk and flour in your storeroom is less than the amount the computer says you

should have, you can figure the cook burnt a batch of cornbread and tried to throw it away without telling you about it." Once Schroeder's employees realized how closely the computer monitored each food item, they stopped trying to hide mistakes. All raw or finished goods waste is now automatically recorded.

A sales mix can also be an effective tool in analyzing sales frequency and profit gained on each food item. By comparing food cost percentage with sales value, the foodservice operator can measure each item's worth and increase or decrease his inventory accordingly. At Pane's restaurant in Buffalo, NY, owner John Pane says that before he bought his computer system he was losing money on some food items without even knowing it. "Every time a customer ordered olives on top of pizza," he says, "we were giving money away. Those olives were costing us more than we were selling them for." With the aid of an itemized sales mix, Pane was able to identify high and low cost items, compare them to their sales frequency and plan his menu to get the highest return on his food dollar.

Before computerizing

1. **Shop around.** Check carefully into the background of the company or companies you are considering. Ask for a list of restaurants which already use the software or hardware, and consult those operators.
2. **Make sure your software program fits your establishment, not the other way around.** For instance, food items can be measured according to varying units. One can of fruit could be measured as one ordering unit, 20 serving units, or one-tenth of a purchasing unit (assuming there are ten cans to a case, and fruit is purchased by the case). Make sure the system you choose provides information in the form you can use, without requiring you to make time-consuming conversions.
3. **Make sure your computer is "user friendly."** Don't buy a system that is too complicated for you or your employees to operate. Instructions and printouts should be easily understandable.
4. **Don't forget about your employees.** Your new system could be intimidating to your employees at first. Hold an informational meeting when the system is first installed, and then follow up with demonstrations and training. Emphasize how the computer will benefit them as well.

The periodic physical inventory . . .

Again, the periodic physical inventory is a necessary component of the computerized inventory process. Only through actual, physical assessment of stock on hand can the foodservice operator tell whether the ideal evaluations projected by the perpetual inventory are being met.

Physical inventories should be taken as often as the difference between projected and actual inventory indicates. If the margin between what is and what should be is steadily narrowing over time, that means controls are in place and working. Physical inventories can be taken less frequently. If a problem exists, however, more frequent inventories should be taken. Many operators recommend weekly inventories for costly items, such as steak and lobster, and bi-monthly or monthly inventories for the entire stock.

Dan Gimpel says an organized, methodical physical inventory makes the computer's—and the foodservice operator's—job much easier. That is why he advises that the preliminaries of purchasing, receiving and storing be carefully organized.

The foodservice operator can use the information provided by his sales mix to determine which items to stock heavily and which to purchase less frequently. For instance, the six Legal Sea Food restaurants in Boston, MA, well-known for their fresh seafood, purchase fish twice daily. Slower moving items, such as chicken or steak, are purchased only as needed. In this manner, dollars aren't tied up in excess inventory, and the restaurants rarely run out of high-demand items.

Upon receipt, all food items must be carefully logged to insure accurate inventory results. Each Legal Sea Food restaurant employs at least one full-time receiving agent, who carefully compares weight and volume of all incoming items against their purchase orders. Damaged or spoiled goods never make it past the back door.

To facilitate the inventory checking process, all items should be stored only in assigned locations. All storeroom shelves should be clearly labelled, and similar items (i.e. canned fruits) should be grouped together. When removing items for use, "first in, first out" is a good rule to follow to prevent spoilage. Some establishments, such as Irvine, CA-based El Torito restaurants, stamp color-coded dots on perishable items to identify purchase dates.

If purchasing, receiving and storing systems are well organized, when the actual counting begins, the foodservice operator has little to do. Stock has been kept to a minimum because of the ideal purchasing levels determined by the computer. Beginning inventory has already been stored—and is easily retrieved. The computer has provided an item-by-item checklist of all inventory. And all end results, including usage, costs and food cost percentages, are calculated by the computer.

Of course, accurate documentation of each item is important, and basic rules of thumb still apply. For instance, items should always be first located on the shelf, then marked off the checklist. Items should be counted left to right, top to bottom, to avoid miscounting. And portions of items should always be consistent; "half full" should not mean "one third full" to one person and "three fourths full" to another.

Once these basic procedures are adhered to, however, the operator or manager can sit back and let the computer do the rest. Stan Schroeder of Chicago for Ribs says the entire physical inventory process takes his managers no more than an hour and a half. John Pane of Pane's Restaurant says he has reduced the time spent on inventory by approximately two thirds. And both operators say the results they're getting now are far more accurate than the results they used to get after hours of tedious work. ❑

Editor's Note: *The National Conference on Computers, March 24–27, in Las Vegas, NV, will address inventory control through computerization. For more information, contact NRA's Education Department.*

SWEET SOLUTIONS

Dessert makers dish it out for restaurteurs

by Jill Wechsler

More and more restaurants today are featuring elaborate gourmet desserts—mousse pies, double-chocolate cakes, amaretto cheesecakes, whipped-cream confections—on their menus. But not all have a pastry chef to create such tempting delicacies. Instead, many operators are turning to the growing number of gourmet dessert companies that have emerged in California and along the East Coast.

Several factors are responsible for this trend. First is the rise in demand. There is a growing population of consumers who want to enjoy a quality meal and a memorable dessert.

Secondly, dessert producers are combining their flair for creative baking with a professional attention to packaging, shipping, marketing and service that previously was found primarily at large food processors. There have long been small, local bakers who made wonderful cheesecakes and pies for a few restaurants but didn't know how to expand on a large scale. Now companies that began by serving the local market are developing large-scale, high quality operations. New packaging that makes it possible to "ship a fancy decorated cake across the country and have it arrive in good shape" plus the emergence of "fleets of freezer trucks going from Florida to Maine and out to the West Coast" have made distribution of quality desserts possible, says Alvin J. Meltzer, vice president of sales and marketing for Perfect Endings, which is based in Philadelphia, PA.

Restaurants willing to "buy outside" . . .

The third key factor is the change in attitude at restaurants. The stigma against "buying outside" is fast disappearing as operators realize that the gourmet bakeries provide both consistency and reliability. Some bakeries find that even restaurants with

their own pastry chef will purchase some items to expand their menu. "I used to just walk out the door of a French restaurant that did its own baking," comments Andrea Smith, sales manager at Ms. Desserts of Baltimore, MD. Now she asks operators to just try her hazelnut cake. "I find they will supplement their menu with something they know is consistently top quality." This way, Smith adds, the restaurant is covered if the chef quits or the oven breaks down.

As a result, a number of firms have emerged in the past five years providing top quality cakes, pies, muffins and tarts to both restaurants and gourmet shops. Product lines and areas served vary from firm to firm. Turf Cheesecake Corporation in New York City, for example, makes "only cheesecake," comments Peter D. Hoffman, vice president of this 25-year-old company. In the past few years it has added amaretto, mocha chip and black forest varieties, but its plain cheesecake still accounts for 75 percent of sales. Perfect Endings of Philadelphia similarly has a limited product line: bundt cakes soaked in liquor—Irish whiskey, amaretto, Cointreau and Chambord liquor—to yield a long shelf life without refrigeration.

Other companies, including Bubbles Baking of Van Nuys, CA; Country Epicure of Katonah, NY; Delmonico's in Bethesda, MD; and Ms. Desserts of Baltimore, produce long lists of products from muffins to fantastic chocolate creations, with most cakes priced in the $14 to $20 range. Bubbles' founder Judy Geffen points out a variety of popular specialties: rum balls, muffins, a new chocolate trifle cake to be sold through a mail-order house and a new line of gourmet banquet sheet cakes providing 40 individually garnished pieces.

Country Epicure's flagship product is its famous chocolate velvet cake originated by former White House Pastry Chef Albert Kumin, who is

now associated with this gourmet dessert firm. La Mousse of West Los Angeles, CA, features its "blackout cake," so called because after eating this nine-pound double-chocolate confection "you black out," comments business manager Joe Filippelli. And Ms. Desserts touts its Great American Chocolate Cake and a prize-winning carrot cake. All gourmet dessert makers emphasize their use of fresh, natural ingredients, avoidance of preservatives and "by-hand" preparation methods.

Products shipped frozen . . .

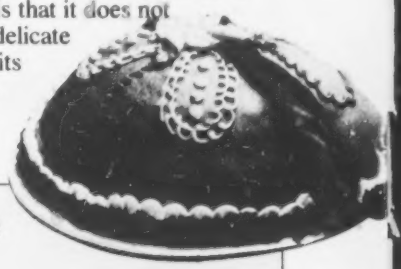
Freezing is required to ship these whipped cream-and-butter laden products beyond the local delivery area. Bubbles' Geffen packs and freezes her products so they will keep up to a year in the freezer and three weeks in a refrigerator. Joan Specter's Desserts of Philadelphia freezes its line of gourmet pies to ship them to 23 states.

Delmonico's President Stan Barches has developed a new vacuum-packed, nitrogen-flushed packaging for his mousse cakes and other desserts to "prevent freezer burn and triple the cake's shelf life." Each dessert is placed in a plastic bag; a machine draws the vacuum, inserts nitrogen and seals the package. The packaging was developed, Barches adds, because he uses so much whipped cream in his products. Even after being removed from the special package, the desserts still have a 12-to-14-day shelf life in the refrigerator.

Although freezer truck fleets enable dessert makers to ship their products cross country, most firms have their own vehicles to service restaurants in their local area. Country Epicure has eight trucks to handle distribution in the New York metropolitan area. La Mousse and Bubbles both distribute to restaurants in their California locales. And, unlike its competitors, Ms. Desserts primarily distributes its products fresh in the Baltimore/Washington area; it is just beginning to freeze items to ship to its New Jersey warehouse, which serves the New York area.

Ms. Desserts is fairly unique in its practice of filling all orders directly and not through distributors. "We call the restaurant the day before delivery and take their order, make the product that afternoon and send it out in refrigerated trucks the next morning," explains sales manager Andrea Smith. Similarly, La Mousse ships directly to its customers and not through distributors, even though its products are frozen and trucked from Los Angeles to such states as Illinois, Florida and Texas.

Restaurants buy by the case, explains Filippelli of La Mousse: The number of cakes per case varies—from six blackout cakes to eight mousses. Because minimum shipments usually require about 750 pounds, La Mousse's distant customers primarily are central restaurant chains with commissaries able to handle large shipments. One reason La Mousse steers away from food distributors is that it does not trust the delicate nature of its products, "to the



Sweet solutions—from the operators' point of view

Although most operators prefer to bake desserts on the premises, it is not always possible or cost-effective to do so. Even when a restaurant does do most of its own baking, it sometimes purchases a few gourmet items to add variety to its menu.

At the Pump Room in Chicago, IL, pastry chefs bake almost all of the desserts served in the restaurant. But the restaurant purchases a few supplemental items, such as a chocolate mousse pie from La Mousse in Los Angeles, CA, because, "Customers like it, and the Pump Room has used this product for years," says Susan Stiles, restaurant manager. "It is very important for us to maintain consistency and give our guests what they expect."

Stouffer Hotels in Solon, OH, also supplements menu items with gourmet desserts in properties that do not have pastry shops. The hotel does not have a companywide policy that identifies specific desserts. Instead, it allows each food and beverage manager or executive chef to make that decision from a group of companies Stouffer has determined meets its standards.

In contrast, the Palm Restaurant in Washington, DC, purchases all of its dessert items from Joan Specter's Desserts of Philadelphia, PA. The restaurant does not have a baker nor a convection oven and management has no immediate plans for expansion.

"We are very satisfied with the quality of the desserts, and we haven't given any thought to baking in-house," maintains Greg Fitzpatrick, restaurant manager. The pies are delivered frozen twice each week, and Fitzpatrick says he has never had a delivery problem.

"It is cost-effective for us to purchase these desserts and our customers agree. They know where these desserts come from, and they appreciate their high quality," he observes.

"It became too expensive to bake in-house for the small amount we sell," says William Watts, assistant general manager of Clyde's, another Washington, DC restaurant. "Our customers' tastes are continually changing, and we want to remain flexible. That's why we are always trying out new desserts for possible inclusion on the menu."

Purchasing from gourmet dessert companies is not always problem free or fool proof. Shipping problems can occur. "Delicate desserts do not hold up well, especially in the summer," explains Herb Hunter, purchasing director of the Marriott Corporation's hotel division in Washington, DC. "When this happens, the distributor cannot always be held liable, and Marriott has to absorb the expense."

And Susan Stiles of the Pump Room reports that, although not a major problem, "there have been some occasions when a shipment was expected and didn't show up until the next day, or 20 cases of chocolate cake were ordered and we received 20 cases of cheesecake instead."

rough-and-tumble distribution process," according to Filippelli.

Small distributors provide service . . .

Country Epicure founder Manny Stern uses distributors to carry his products beyond New York—but only those who will let him train special sales people to handle his products. He finds that distributors need to hold tasting sessions for a restaurant's waiters and waitresses and provide product information for sales to be successful. For this reason, Stern has found he receives better service from smaller distributors, such as Berliner Foods in the Washington/Baltimore area, Sunbelt Foods in Texas and Tivoli Foods in Minnesota. But because he cannot find such service-oriented distributors in many places, he currently is negotiating to establish his own distribution organizations in certain areas. "The typical foodservice distributor is not equipped to deal with upscale products like ours," Stern maintains. "Their sales people are rewarded for volume and for selling the meat and potatoes. There really is not a good distribution network for us."

Other dessert firms echo these sentiments. Geffen of Bubbles works with distributors to keep minimums low in order to serve smaller restaurants, but finds most organizations "won't stop the truck for less than a $250 order." Stephen E. Specter of Joan Specter's Desserts seeks out innovative distributors, such as I. Feldman (Washington, DC), Smelkinson, Sysco (Houston, TX) and Sexton (Chicago, IL), that he feels are particularly good at dealing with an expensive, innovative, upscale dessert.

Ms. Desserts is currently considering the idea of setting up its own distribution plants to handle further geographical expansion because of its dissatisfaction with distributors. "We might try to use a food broker if we can find one that has the same philosophy as ours and will provide customers a lot of service," Smith comments. If not, the company may develop its own representatives to market its products in other areas. Because most distributors require customers to buy cakes in cases of four, Delmonico's Barches developed an "assortment pack" with either four different cheesecakes, four different mousses or four different torte cakes. "This eliminates the restaurant's biggest problem—lack of freezer space," Barches comments. And it enables smaller restaurants to offer variety and a nice display.

Dessert makers provide assistance . . .

Because their products are delicate and because appearance is so important in dessert sales, producers often try to help restaurants improve their methods for handling and promoting their products. Pre-scoring pies and cakes to indicate the appropriate 12 to 14 slices is routine, and some firms pre-slice products if it doesn't spoil taste or reduce longevity. Many supply information on defrosting, slicing, refrigeration and display.

Turf Cheesecake, for example, advises restaurants to leave cakes out for two hours before serving to obtain best results. Hoffman also encourages restaurants to add their own fruit toppings to the plain cakes. Perfect Endings' Meltzer similarly advises chefs to decorate his relatively plain-looking bundt cakes and provides suggestions for the use of chocolate, shaved chocolate, whipped cream and slivered almonds. Meltzer also provides restaurants with menu clip-ons and table tents that come from the distillers of the liquor used in his cakes. These promote the dessert, he points out, without emphasizing that the cake comes from outside.

Smith of Ms. Desserts spends a good deal of time and effort visiting customers to demonstrate how to handle and market her products correctly. "The biggest problem in restaurants is that people don't cut the products right, display them right or offer them correctly to customers," she comments. Geffen of Bubbles recently discovered a "great gimmick"—a high quality plastic model of a cake that "looks better than the real cake" for the restaurant to display. "If cakes are on the menu, one in four customers will order," she states. "But if it's on display and it looks gorgeous, half will buy."

From delis on up . . .

One mark of success for gourmet dessert firms is the wide variety of restaurants that are buying their products, including well-known top quality eateries. In addition to the major hotel chains, which purchase cakes and other items from a number of dessert makers, local restaurants and major chains are found on many client lists. La Mousse's restaurant clients include The Pump Room in Chicago, IL; Chasen's of Los Angeles, CA; Chanteclair of Newport Beach, FL; and Le Club in San Francisco, CA. Ms. Desserts sells to Washington, DC's elegant 1789 restaurant and to the Sheraton-Carlton Hotel as well as to the eateries in Bloomingdale's and to Clyde's in Georgetown. Most customers, however, fall into the "California fern bar" category, Smith comments.

Some restaurants, too, are displaying an innovative approach to marketing gourmet desserts. Taking a creative tack, the Rusty Scupper chain in Maryland and Pennsylvania uses Ms. Dessert's brownies as the base for a brownie sundae dessert.

There are regional preferences. "You can't give peach pie away in Boston," observes Stephen E. Specter of Joan Specter's Desserts. "Up north everyone wants chocolate, so we developed a chocolate pecan pie." Not surprisingly, though, Meltzer of Perfect Endings finds that demand for his company's Irish whiskey cake is greatest in Boston.

However, demand for a certain product is hard to predict. "We made a pina colada cake and thought it would sell well in Florida," recalls Delmonico's Barches. "But it did best in Kansas City." His mousses, which are his most expensive item and difficult to handle, have become his best seller in just six months.

People remember two things in a restaurant, concludes Geffen of Bubbles: an unusual bread basket and a superb dessert. "If these two are great, then you've got them sold." ❑

VIEWPOINT

Voluntary Vs. Mandatory Restaurant Smoking Restrictions

by Victor Rosellini

Regardless of a restaurant's size, cuisine or clientele, restaurateurs nationwide face similar rules and regulations. Health codes and liquor laws are just two of the many areas covered by government regulation. Some restaurant rules are necessary. But some aren't. Today many local and state governments are considering yet another restrictive measure—mandatory no-smoking sections. Personally, I'd prefer to set my own smoking policy.

As a past president of NRA, I know that most restaurateurs oppose further government intervention in the restaurant industry—especially in the form of unnecessary regulation, such as mandatory smoking rules.

Why oppose these laws? Restaurant smoking regulations can be a real nuisance to the busy operator. They can inconvenience customers, force operators to police their own establishments, reduce profits and even result in costly lawsuits.

The voluntary approach is superior . . .

The best way to avoid mandatory smoking restrictions is to beat the regulators to the punch—to institute a voluntary no-smoking section policy. No one wants happy customers and employees more than the restaurateur. And the voluntary approach is the superior approach. There are fewer problems and fewer headaches.

For one thing, mandatory smoking restrictions require enforcement—most likely by the restaurant operator or staff. This places a great burden on operators, sometimes requiring extra staff—"smoking police"—to ensure that customers don't take matters into their own hands. The situation can create unwanted barriers between customers and staff. Customers want friendly, efficient waiters and waitresses, not no-smoking hall monitors.

And don't forget fines. Noncompliance can be expensive, amounting to hundreds of dollars per violation. Take a look at the government regulation in Mountain View, CA. Mountain View restaurateurs are required by law to enforce a local smoking restriction and to inform violators of the provisions of the regulation. Restaurateurs can be fined up to $500 for failure to comply with government requirements.

Voluntary programs work . . .

Most restaurant smoking laws require inflexible no-smoking sections. They must be a certain size, regardless of demand. With a voluntary compliance policy, the sizes or existence of no-smoking space can fluctuate during the day, keeping pace with demand.

The Restaurant Association of the State of Washington and the Southern Arizona Restaurant Association (Tucson), for example, have worked hard to bring members in line with their voluntary programs. And they're working. One Tucson restaurateur reports that he offers a no-smoking section during evening hours only. He finds that customers do not request separate seating during morning and luncheon meals. He is not alone. More than half the country's restaurateurs have adopted the voluntary approach. The result: happy customers, return business.

Another reason to favor voluntarism over government regulation is that such laws set blanket standards that don't take the needs of clientele into account.

Just look at taverns and family-style restaurants. As anyone in the industry knows, the atmosphere in a tavern is entirely different from the atmosphere in a family-style restaurant. The owners of these varied establishments should be able to set their smoking standards, accommodating their own kinds of customers.

Mandatory laws can alienate customers . . .

Mandatory no-smoking laws also can cause other problems. Banquet scheduling, for instance. Under strict government regulation, a restaurant owner might, for example, have to divide seating for a wedding reception into smoking and no-smoking sections to insure that the banquet room arrangement is in line with the law.

Of course, the primary reason to go for voluntary, not mandatory action, is to avoid inconveniencing patrons. Without a flexible, voluntary standard, restaurant owners and managers run the risk of alienating customers by forcing them to wait indefinitely for the section of their choice. Sometimes large parties might have to be turned away because of a lack of smoking or no-smoking space.

By instituting a voluntary compliance plan, restaurant operators can successfully avoid the disruptive situations that go hand in hand with mandatory restrictions. Restaurant owners can voluntarily designate a section in their establishment as "no-smoking," post signs stating that the restaurant offers a no-smoking section and ask customers their preference when they make reservations and/or when they arrive at the restaurant.

This is a service operators can offer patrons at no expense—a service that may prevent customer aggravation and yet another unnecessary government regulation. Mandatory regulations can cause a form of indigestion restaurateurs don't need. ❑

NRA Past President Victor Rosellini owns Rosellini's restaurants in Seattle, WA.

Fisher's Law #58

The Numbers Game

Dealing with numbers need not be the onerous experience some people make it out to be. I have encountered some people who readily admit they become "numb" when it comes to numbers. An early bad experience may be the root cause of such an attitude, but, like everything else, if "numbers" concepts are presented clearly and correctly, intimidating fear factors are minimized. There is nothing really magical or mystical about financial matters; in fact, they're very orderly. I thought you might be interested in some "quick tricks" that can help in selected circumstances.

1. The rule of 72. This is an easy rule to remember when you are interested in knowing either the interest rate (percent) or the time period it takes for a given sum of money to double in size. You simply divide the known factor into 72 to determine the unknown factor. The answer is an extremely close approximation—one that is based on annual vs. semi-annual, quarterly, monthly or other compound interest rate schedules.

Let's illustrate by example. Suppose you have a child who will start college six years from now. You have $20,000 to set aside now, and want to have $40,000 accumulated at the time the child enrolls. The question is, "What rate of return (percent) will you require to cause $20,000 to grow to $40,000 at the end of six years?" The answer, not considering taxation, is approximately 12 percent, determined by dividing the know factor (six years) into 72 to determine the unknown factor (12 percent).

Take another example. Suppose a financial institution is offering an interest rate of nine percent on deposits. If you have $5,000 to deposit now, how long will it take for the $5,000 to grow to $10,000 (taxation not considered)? The answer is approximately eight years, determined by dividing the known factor (nine percent) into 72 to determine the unknown factor (eight years). Note that we're dealing with a single sum that is doubling in size, not a series of sums deposited on a continuing basis.

Let's take one final example. Suppose you have a grandchild born today. As a gift, you deposit $10,000 in a trust account paying 10 percent interest. If the money is allowed to accumulate until the child graduates from college at 22, how much will be in the account (taxation not considered)? The $10,000 will have grown to $20,000 by the time the child is a little over 7 years old (72 divided by 10 percent). The $20,000 will have grown to $40,000 by the time the child is approximately 14 ½ years old (72 divided by 10 percent, 14.4 years old), and the $40,000 will double to $80,000 in another 7.2 years (72 divided by 10 percent). So when the child is 22 (approximately 21.6 years old), there will be approximately $80,000 in the account. (Wow! Thanks, grandparents.) There are tables and charts that can be used to figure out all sorts of financial values, future amounts, present values of future sums and so forth.

2. Capitalization. In financial jargon, this is a fancy word that has several meanings, which can cause some confusion. For example, capitalization can mean recording a cash outlay as an asset rather than as an expense, capitalization can be a synonym for the equity one has in one's business and so forth. Suppose someone said to you, however, "I have an income of $400,000 per year." If I were thinking of selling my business, I'd ask a price based on an eight percent capitalization rate (sometimes called "cap rate." Financial people don't like to use big words, only big numbers). Well, the question, of course, is, "What should the selling price be for the business?" The answer is $5 million, determined by dividing eight percent into the $400,000 income. ($400,000 divided by .08 = $5,000,000.) Looked at another way, $400,000 is eight percent of $5 million. Suppose the person set a 10 percent capitalization factor, instead of eight percent, on that $400,000 income. What would the asking price be? Answer: $4 million. ($400,000 divided by .10 = $4,000,000.) The important point to remember is that the *higher* the cap rate, the *lower* the dollar amount. The *lower* the cap rate, the *higher* the dollar value.

3. The base price without sales tax. Sometimes you have to "back into" a price, exclusive of sales tax. For example, in purchasing equipment, vehicles or other assets, naturally it's to your best advantage to negotiate the best price you can. When I feel I'm at that "deal" point, I will often say, "Here's the total I'm willing to pay, *including* sales tax. Now you price it where you have to in order for it to come out." This causes the seller to "back into" the recorded price.

Let's take an easy example. Suppose the sales tax is five percent. The amount the seller will collect from you is 100 percent (sales are always 100 percent) *plus* the five percent the seller is required by law to collect from you for sales and use tax, or, in other words, the seller will collect a total of 105 percent. If I said, "We have a deal for $10,500 including sales tax; if you want it, you price it out," the seller would quickly divide $10,500 by 105 percent since the $10,500 *includes* the five percent sales tax. The seller quickly arrives at a selling price of $10,000 ($10,500 divided by 1.05 = $10,000). This is readily verified, since a five percent sales tax on a $10,000 piece of equipment is $500.

The principle applies, of course, irrespective of the numbers. The important point to remember is that if you have to "back into" a sales price, *divide* the total amount of money involved by 100 percent *plus* the amount of the sales tax (i.e., a total of 105 percent, 106 percent, 107 percent, etc., depending on what the sales tax percentage is).

Well, so much for this. It's time for Fisher's 58th law: **"It helps in being successful if you are nimble with numbers."**

"It helps in being successful if you are nimble with numbers."

THE BOARD ROOM

Machus unveils 1985 forecast during New York City press conference

At a November 13 breakfast press conference in New York City, NRA President Harris O. Machus (Harris O. Machus Enterprises, Birmingham, MI) predicted that 1985 would be the fifth consecutive year of real growth for the foodservice industry. (See complete forecast in this issue)

Machus told the 20 representatives of the consumer and trade media assembled for the event, "1985 marks a high point in foodservice history. It will be the industry's fifth consecutive year of real growth and the third consecutive year of strong sales." Machus predicted that foodservice industry sales would reach $178 billion next year, an increase of $13 billion over 1984 and a 3.2 percent increase in real sales.

NRA President Harris O. Machus announces NRA's forecast for 1985

Though a slower increase than the four percent real sales advance recorded by the foodservice industry in 1984, Machus viewed the expected stable growth positively. He tied 1985's good but slower growth to the cyclical nature of the nation's economy—a leveling off that economists claim will safeguard the nation against inflation and higher interest rates and lay the groundwork for future sustained growth.

"Consumers will continue to experience gains in their real incomes next year," Machus said. "A good proportion of those gains will be spent on meals away from home, but the increase in consumer expenditures for food away from home will not be as marked as in 1984."

Following the presentation, President Machus and NRA Executive Vice President William P. Fisher accepted questions from members of the media, which included the editors and journalists of leading trade journals and representatives from WABC and WCBS Radio, the *New York Daily News*, *Newsday* and *Money*.

Balestreri and Fisher speak at Southeastern Hospitality and Foodservice Show

NRA Vice President Ted Balestreri (Sardine Factory, Inc., Monterey, CA) and Executive Vice President William P. Fisher were key speakers at the recent Southeastern Hospitality and Foodservice Show, sponsored by the Georgia Hospitality and Travel Association (GH&TA). This annual event drew 10,000 attendees from the hotel, motel, restaurant and travel industry to the Georgia World Congress Center in Atlanta from October 16–18, 1984.

In his speech Balestreri discussed the economic outlook for foodservice, trends shaping the eating-away-from-home market and major challenges that will confront the industry in the future.

"As vice president of the National Restaurant Association I have a chance to view the industry from a national perspective," Balestreri said. "The outlook is good and getting better. . . . According to the U.S. Department of Labor, consumer expenditures in restaurants have almost doubled in the last 20 years. If you add institutional sales, Americans now spend 37.9 cents out of every dollar on meals away from home. Experts say that this figure will continue to rise."

NRA discusses sulfites on network news

NRA Vice President Ted Balestreri and NRA Executive Vice President William P. Fisher are interviewed by CBS Network News for a broadcast on sulfites. The segment aired nationally on the Oct. 15, 7 p.m. CBS Network News.

Machus accepts award for NRA

NRA President Harris Machus accepted an award by the Department of Health and Human Services in recognition of NRA's program to encourage the employment of persons with disabilities in the foodservice industry.

Assistant Secretary Dorcas R. Hardy made the award at the October meeting of the Michigan Restaurant Association attended by more than 350 members.

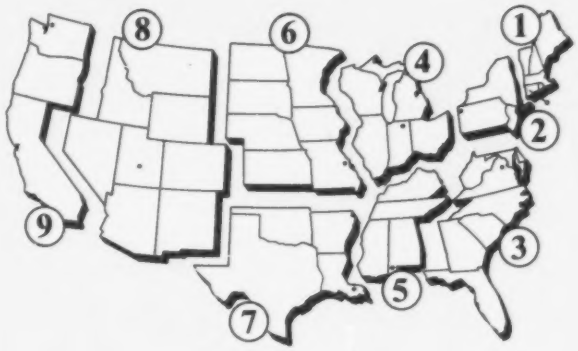
The Assistant Secretary praised the outstanding response that the foodservice industry has given to the national programs for the training and employment of qualified persons with handicapped conditions.

—Dorothy Dee

by Cecelia Niepold

How's business?

Overall, restaurateurs seem optimistic about the upcoming year and positive about their establishments' accomplishments in 1984.



1 NORTHEAST

Location: Marborough, CT
NRA member: Jay Shea
Operation: The New Sadler's Ordinary
Profile: Fullservice restaurant
In business: 5 years
Seats: 70
Meals served: Lunch, dinner

Business continues to grow every year, says **Jay Shea,** owner of The New Sadler's Ordinary. The local economy is "fantastic" due to Marlborough's proximity to the bustling city of Hartford.

Sadler's Ordinary is named after a stagecoach waystation that actually operated in the area during the 17th century. The present day Sadler's is located in a reproduction building Shea designed to recreate the hospitable ambiance of an old inn. The restaurant, much like the original waystation, offers friendly service, a bakery and even information for travelers.

Shea has developed ways to use the menu to boost exposure and build traffic. Customers are encouraged to take the menus, which look like newspapers, home with them.

Shea is optimistic about 1985 and is considering opening a second restaurant with a colonial atmosphere in a restored old inn.

2 MIDDLE ATLANTIC

Location: Conneaut Lake, PA
NRA member: Dennis Taxacher
Operation: The Original Strudel Factory
Profile: Two bakery, deli and ice cream shops
In business: 9 years
Seats: 30
Meals served: Breakfast, lunch, dinner

Business is good in Conneaut Lake, a seasonal area about 100 miles north of Pittsburgh, according to **Dennis Taxacher,** co-owner of The Original Strudel Factory. The restaurants' signature item is strudel, of course, and Taxacher believes increasing consumer interest in upscale desserts and high quality foods has contributed to the growth of his business.

The Original Strudel Factory is designed to look like an old Swiss chalet. Furthering the European theme are imported gift items, such as beer steins, for sale throughout the store.

Many customers are curious about how strudel is prepared so Taxacher has provided an area where patrons can watch the different phases of preparation.

3 SOUTH ATLANTIC

Location: McLean, VA
NRA member: Ralph Evans
Operation: Evans Farm Inn
Profile: Colonial restaurant, shops and farm
In business: 45 years
Seats: Dining room—230; pub—86; banquet—334
Meals served: Lunch, dinner, Sunday brunch

Business for the fiscal year ending in September was up slightly, and so far the fall business looks good, says **Ralph Evans,** NRA director and president of Evans Farm Inn.

Located on a 40-acre working farm 10 miles from the White House, Evans Farm offers sophisticated dining in a country atmosphere. Diners are offered American and continental specialties in a hospitable colonial atmosphere. Servers wear early American finery.

Evans Farm patrons are encouraged to enjoy the bucolic setting by wandering around outside and watching the many farm animals. Several small shops are also located on the grounds, including a craft shop, a country store, a doll shop and an area where fresh produce and specialty items, such as homemade relish, are offered.

4 EAST NORTH CENTRAL

Location: South Bend, IN
NRA member: James Hendricks
Operation: Toasty Shop
Profile: Family restaurant
In business: 35 years
Seats: 125
Meals served: Breakfast, lunch, dinner

Business has increased during the last year, says **Barbara Hall,** manager of the Toasty Shop. A central location, new office buildings nearby and a reputation for fast service at lunch have helped boost sales.

The Toasty Shop has a broad menu that changes to keep pace with popular national trends. Hall's major concern, though, is keeping up with customers' tastes. For instance, the restaurant tried a few Mexican items, but customers didn't seem to like them. So, they were dropped from the menu. Croissants, however, have become very popular with patrons, and they are now part of the soup and sandwich special.

5 EAST SOUTH CENTRAL

Location: Mobile, AL
NRA member: Tom Burke
Operation: Wintzell's Oyster House

Profile: Full service restaurant
In business: 7 years
Seats: 270
Meals served: Lunch, dinner

"The economy in Alabama seems to be lagging the national economy," says **Tom Burke,** owner of Wintzell's Oyster House. Unfortunately, the World's Fair didn't do much to boost local business either.

The Oyster House covers a whole city block in downtown Mobile and is particularly well known for its oysters on the half shell. Like many cities, the downtown area has seen better days, but revitalization efforts seem to be paying off.

Burke's plans for the future include a possibie unit in a downtown shopping/theme center scheduled to open in 1986 and several small restaurants in the quickly growing western part of town.

6 WEST NORTH CENTRAL

Location: St. Louis, MO
NRA member: William Saigh
Operation: Lettuce Leaf, Inc.
Profile: Six light menu eateries
In business: 8 years
Seats: 110
Meals served: Lunch, dinner

"Business has picked up eight to 12 percent from last year," says **William Saigh,** director of Lettuce Leaf, Inc. Saigh, a former marketing professor, started the company while on sabbatical eight years ago. The business flourished and now includes six units.

Saigh anticipated customer desire for healthy, light foods and based his concept on unique entree salads. The menu now includes 16 different salads, a limited sandwich line, fresh soups, quiches and a few unusual desserts.

When he first started, about 80 percent of his customers were women, and 20 percent were men. Now the ratio has switched to 55 percent women and 45 percent men—an indication of the growing popularity of lighter foods.

One of Saigh's major marketing tools is a large case that displays all 16 salads to show customers the variety of combinations. "It takes up some space, but it's worth it because it alleviates extra information on the menu, speeds up ordering time and increases chair turns," he maintains.

7 WEST SOUTH CENTRAL

Location: Baton Rouge, LA
NRA member: Ilio Espanol
Operation: Prince Murat Inn
Profile: Hotel with a restaurant and coffee shop
In business: 12 years
Seats: 158
Meals served: Breakfast, lunch, dinner

"Business has been good," says **Peter Voight,** general manager of the Prince Murat Inn—a 300 room hotel with a gourmet restaurant and a coffee shop. Unfortunately, though, the World's Fair didn't bring in as much extra business as operators had hoped.

A challenge that most hotel restaurants face is appealing to both local patrons and visitors: developing a specific identity to attract local customers and providing a variety of tastes for hotel guests. Voight has tried to meet this challenge by developing a reputation for Louisiana seafood specialties and by offering a combination of American, Creole and continental dishes favored by his local patrons.

Future business prospects include a possible drop in corporate business due to the slowdown in the petrochemical industry and growing restaurant competition in the area.

8 MOUNTAIN

Location: Bicknell, UT
NRA member: Cula Ekker
Operation: Sun Glow Cafe
Profile: Family restaurant
In business: 18 years
Seats: 80
Meals served: Breakfast, lunch, dinner

Business has been good in Bicknell—a small ranching area located near several national and state parks, according to **Cula Ekker,** owner of the Sun Glow Cafe. This summer was especially good; a lot of people were traveling, she says.

The Sun Glow serves everything from sandwiches to steaks, but is particularly well known for Ekker's exotic pies. It all started when she attended a seminar that suggested offering a dessert menu to increase sales. She created one, offering unusual pies that have just about doubled dessert sales.

The pies are definitely different. They include a peanut butter pie, a sweet pickle pie that tastes like mincemeat and a pinto bean pie that tastes somewhat like a pecan pie. Not surprisingly, the pies have aroused a lot of customer interest. Often Ekker will trade her unusual recipes for other equally surprising combinations. For example, she exchanged her sweet pickle pie recipe for a buttermilk pie concoction that tastes like lemon custard and recently received directions for a sauerkraut cake.

9 PACIFIC

Location: Snoqualmie, WA
NRA member: Dick Byrd
Operation: Snoqualmie Falls Lodge
Profile: Fullservice restaurant
In business: 55 years
Seats: 130
Meals served: Breakfast, dinner

Business is up 12 to 15 percent from last year, and the overall area is doing exceptionally well, says **Dick Byrd,** director of operations at the Snoqualmie Falls Lodge.

The lodge is located in a small logging town 45 minutes from Seattle. The view alone is special, overlooking a magnificent 268 foot waterfall and distant snow capped mountains. The atmosphere is comfortably rustic, complete with two fireplaces.

For breakfast the Snogualmie Falls Lodge offers a five course "farm breakfast," including 15 to 20 fresh fruits and old-fashioned favorites like oatmeal and pancakes—all served family style. The dinner menu features regional specialties, such as fresh venison, pheasant, duck and seafood.

Due to popular demand, the restaurant has developed a gift products line, that includes homemade preserves, honey biscuit mix and other specialties.

Byrd believes 1985 will be a good year—especially since Washington state has begun to promote tourism.

FOOD FOR THOUGHT

Mazel Tov!

Miss Philadelphia Brand Cream Cheese of Chicago, IL, became the bride of Mr. Lender's Bagel of New Haven, CT, on Saturday, September 15, 1984. The wedding, held at the Innisbrook Resort Hotel in Tampa, FL, was attended by brokers and key executives of the Kraft and Lender families.

The ceremony, which was held to symbolize the sale of Lender's Bagel Bakery, Inc., to Kraft, Inc., included eight-foot-high replicas of Kraft and Lender's products marching down the aisle. The bride was attended by Miss Soft Philly, her maid of honor, and Miss Kraft Velveeta, Miss J.L. Kraft Select, Miss Kraft Singles and Miss

Kraft Parkay. The bridegroom's brother, Mr. Lender's Plain, served as his best man.

Following their honeymoon, the newlyweds will be at home in frozen food and dairy cases across the country.

—Lender's Bagel Bakery, Inc.

'Tis the season

The holiday season means good food, good friends, good cheer—and a good time to share with the less fortunate. The recent generosity of two restaurateurs provides an inspirational introduction to the season of giving.

In Wareham, MA, at the Wagon Wheel Restaurant, needy people were served a free lunch of roast beef and mashed potatoes, or haddock in Creole sauce, for two weeks in November. "People didn't believe it," says owner Ralph Golio. "They'd call and say it must be a gimmick. But I'd tell them to believe and come down." Golio, who survived a heart attack in June, says it doesn't matter that the giveaway cost him about $160 a day. "I'm paying for my life," he avows.

And in Nashville, TN, restaurateur Mario Ferrari recently treated four homeless men to a steak dinner at his posh restaurant, Mario's, at a cost of $150 per person. "I found these men going through our garbage looking for food," explains Ferrari. "I thought, 'My God. How terrible.' They deserve a good meal." Ferrari joined his four new friends for dinner.

—USA Today

Ice cream—the universal language

The American ice cream with the Danish name is making a big hit in Japan. That's according to Colleen Kinney Dorfman, public relations consultant to the New Jersey-based Haagen-Dazs Co. Pillsbury Co., of which the super-premium ice cream company is a subsidiary, set up a joint venture this fall with a leading Japanese company to market the product in Tokyo.

"Sales are doing incredibly well," says Dorfman. She says the high purchase price—$4.00 buys a pint—is offset by the relation of the dollar to the yen. Tokyo joins Singapore and Hong Kong as the third foreign city where Haagen-Dazs is sold.

The five ice cream flavors which are enticing Japanese palates are vanilla, strawberry, rum raisin, Swiss almond chocolate and coffee chip. The biggest seller? "Vanilla, of course," says Dorfman.

—NRA News interview

Say it with . . . cookies

Your best friend just got a promotion. Your son scored the winning touchdown in Saturday's game. Your niece landed the lead in the school Christmas pageant. Hugs from Home, a Chicago-based mail order company, has the perfect congratulatory gift item—one dozen "long-stem" chocolate chip cookies. The freshly baked cookies, complete with cardboard stems and ribbon leaves, are delivered in a florist's box to any place in the United States for $25.

Flowers never tasted so good.

—USA Today

American diner survives its era

The kids who hung out at Baltimore's Fells Point Diner in the late fifties, eating french fries in gravy and exchanging Colts trivia, little imagined that one day the diner would be famous and its menus collectors' items.

Fells Point Diner reached stardom when it became the location and focal point for the 1982 movie "Diner." Although Baltimore's newest landmark is now closed, in September it will reopen as "The Kid's Diner." A series of events promoting its reopening will include the sale of 500 of the Fells Point Diner's original menus.

"The Kid's Diner" will be staffed by vocational education students as waiters, cooks and accountants, providing a restaurant training ground for high school seniors. The $350,000 project was funded totally by contributions.

—The Washington Post

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